Commonwealth of Kentucky

Quarterly Economic & Revenue Report

Third Quarter Fiscal Year 2019

Governor's Office for Economic Analysis

Office of State Budget Director

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Matthew G. Bevin
Governor

John E. Chilton
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Governor's Office for Policy and Management
Governor's Office for Economic Analysis
Governor's Office for Policy Research

April 30, 2019

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 2019 (FY19). It also includes an interim economic and revenue forecast for the next three fiscal quarters. The estimates discussed in this report are internal staff estimates and do not constitute an official revision to the enacted estimates.

General Fund receipts in the third quarter of FY19 totaled $2,604.1 million compared to $2,490.5 million in the third quarter of FY18, an increase of $113.6 million or 4.6 percent. Receipts have now grown 3.9 percent for the first nine months of FY19.

The Consensus Forecasting Group last met in December of 2017. The General Assembly passed legislation in 2018 and 2019 which amended the CFG estimates for FY19 and FY20. The 2018 Regular Session of the General Assembly enacted HB 487, which added a net $192.3 million to the General Fund for FY19 and a similar amount for FY20. Neither of the bills passed in the 2019 Regular Session (HB 354 nor HB 458) had a fiscal impact in FY19 but both carried negative impacts in FY20. Projected General Fund revenues for FY19 are expected to close at $11,218.3 million – a total that is $20.1 million above the official budget estimate of $11,198.2 million. The interim estimates, outlined in this report, for FY19 and the first half of FY20 include the appropriate shares of the aforementioned actions of the General Assembly.

Road Fund revenues remained flat in the third quarter of FY19. Receipts totaled $370.0 million compared to the $370.1 million received in the third quarter of the last fiscal year. Through the first nine months of FY19, receipts have increased 2.9 percent. The official Road Fund revenue estimate calls for revenues to decline 0.3 percent for the fiscal year. Based on year-to-date tax collections, revenues can fall 9.0 percent for the remainder of FY19 and meet the estimate. The interim estimates in this report call for growth of 0.5 percent during the fourth quarter, which would result in a revenue surplus of $38.0 million for FY19.

Looking ahead, the Commonwealth's economic outlook reflects a positive trajectory for the fourth quarter of FY19 and anticipates sustained growth for the first and second quarters of FY20. The consistent rise in Kentuckian's personal income, in combination with a healthy labor market, provides a degree of assurance that the ongoing trend of economic stability will persist into the new fiscal year.

Cordially,

John E. Chilton
State Budget Director

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EXECUTIVE SUMMARY

Pursuant to KRS 48.400(2), the Office of State Budget Director (OSBD) has prepared this *Quarterly Economic and Revenue Report* for the third quarter of Fiscal Year 2019 (FY19). 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.

The Interim Outlook presents unofficial staff estimates rather than an official revision to the enacted estimate. In addition to the latest economic forecast for the U.S. and Kentucky, the revenue estimates incorporate various tax law changes enacted during the 2018 and 2019 Regular Sessions of the General Assembly. The official estimate is defined as the Consensus Forecasting Group's estimates adjusted by any actions of the General Assembly. The Consensus Forecasting Group last met in December of 2017. The 2018 Regular Session of the General Assembly then passed HB 487, which added a net $192.3 million to the General Fund for FY19. Neither of the bills passed in the 2019 Regular Session (HB 354 nor HB 458) had a fiscal impact for FY19 but both carried negative impacts for FY20. A portion of the impact from HB 487 has already occurred and was incorporated into the various accounts during the first three quarters of FY19. In practice, it is difficult to bifurcate the impacts of the economy versus the effects of the new tax law.

Projected General Fund revenues for FY19 are expected to close at $11,218.3 million – a total that is $20.1 million above the official budget estimate of $11,198.2 million. General Fund growth is projected to be 2.3 percent for the fourth quarter of FY19. Growth is expected to slow down compared to the first three quarters of the year. The General Fund grew by a robust 3.9 percent through the first three quarters of FY19. Road Fund revenues continued to outpace the official estimates, growing 2.9 percent thus far in FY19. Going forward, the rate of growth of the fund is expected to soften but still end the year well above the enacted estimate. Total revenues are projected to exceed the official forecast in FY19 by $38.0 million.

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

- General Fund receipts in the third quarter of FY19 totaled $2,604.1 million compared to $2,490.5 million in the third quarter of FY18, an increase of $113.6 million or 4.6 percent. As a result of the 2018 legislation, HB 487, there has been healthy growth in the sales tax and cigarette taxes.

- Road Fund revenue remained flat in the third quarter of FY19. Receipts totaled $370.0 million compared to the $370.1 million received in the third quarter of the last fiscal year. Through the first nine months of FY19, receipts have increased 2.9 percent.

- Real gross domestic product increased by 2.8 percent in the third quarter of FY19. Real GDP growth has been at or above 2.8 percent growth for the last four quarters. US personal income grew by 4.2 percent in the third quarter of FY19. In contrast, Kentucky personal income grew slightly faster over the same fiscal quarter, posting a 4.5 percent rate of growth. US non-farm employment grew by 1.8 percent in the third quarter of FY19, led by mining and business services employment. Kentucky non-farm employment failed to keep pace with national employment growth. Growth in Kentucky was 1.1 percent, led by mining and educational services employment sectors.

- Real GDP growth is expected to slow over the next three quarters. US employment growth is expected to moderate. The housing market is expected to provide some headwinds for some segments of the economy. Housing starts have been adjusted down to reflect this outlook.

- The General Fund revenue outlook has been significantly impacted by the 2018 passage of HB 487. Most notably, consumption taxes (especially the sales tax and the cigarette tax) are projected to continue to increase while income-based taxes will fall. Individual income tax receipts are expected to decline by 2.1 percent during the fourth quarter of FY19 following a year-to-date decline of 2.3 percent. House Bill 487 will reduce the individual income tax by a net $118.3 million for FY19. Sales and use tax receipts grew 8.4 percent during the first three quarters of FY19, primarily due to the base expansion elements of HB 487. House Bill 487 will increase the sales and use tax by a net $208.2 million for FY19. Another contributor to the growth in the sales tax has been the October 1, 2018 implementation of sales tax collections on internet sales, which was made possible by the U.S. Supreme Court's *Wayfair* decision. Projected growth of 8.0 percent in the final quarter of FY19 should result in the sales and use tax account ending very close to the official estimate.

- Motor fuels taxes grew 1.1 percent during the first three quarters of the fiscal year and are forecasted to increase 0.6 percent over the remainder of the year. Consumption remains strong despite the recent uptick in pump prices. Motor vehicle usage tax receipts also rose in the first three quarters of FY19, growing 3.2 percent. The motor vehicle usage tax account is expected to decline 0.6 percent during the final quarter due in large part to a decline in demand for vehicles.

REVENUE RECEIPTS

GENERAL FUND
Third Quarter, FY19

General Fund receipts in the third quarter of FY19 totaled $2,604.1 million compared to $2,490.5 million in the third quarter of FY18, an increase of $113.6 million or 4.6 percent. Receipts have now grown 3.9 percent for the first nine months of FY19. Growth rates for the first three quarters of the fiscal year have been 4.5, 2.9 and 4.6 percent, respectively. The official General Fund revenue estimate for FY19 calls for growth of 3.3 percent compared to FY18 actual receipts. General Fund revenues must increase 1.7 percent for the remainder of the fiscal year to meet the official estimate.

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 gains were primarily driven by sales and use and cigarette taxes. As a result of the 2018 legislation, HB 487, there has been healthy growth in the sales tax and cigarette taxes.

Table 1
Summary General Fund Receipts
$ millions

	FY19 Q3	FY18 Q3	Diff $	Diff %
Individual Income	1,005.2	1,027.7	-22.5	-2.2
Sales & Use	928.2	859.9	68.3	7.9
Corp. Inc. & LLET	74.9	73.1	1.8	2.4
Property	143.5	136.3	7.2	5.3
Lottery	61.0	59.5	1.5	2.5
Cigarettes	83.7	49.4	34.3	69.4
Coal Severance	26.2	22.3	3.9	17.4
Other	281.4	262.2	19.2	7.3
Total	**2,604.1**	**2,490.5**	**113.6**	**4.6**

The individual income tax posted receipts of $1,005.2 million compared to last year's third quarter receipts of $1,027.7 million. The individual income tax has fallen consistently in the first three quarters of FY19 due to the HB 487 rate reduction. Year-to-date collections are down 2.3 percent. In FY18, the top corporate and individual income tax rates were decreased from 6.0 percent to 5.0 percent. The individual income tax experienced some growth in February and March due to improvements in the net refunds component. Net refunds are the sum of total refunds and total pay returns. Historically, February has always been the largest refund month. However, during the last two years, March has been the largest refund month. In December of 2017, the Tax Cuts and Jobs Act was passed. The federal government notified taxpayers that refund processing would not begin until mid to late February. As a consequence, many taxpayers did not file their federal returns until late February or March. This resulted in many taxpayers delaying the submission of their Kentucky returns also.

Refunds were down $36.6 million in February and another $25.3 million in March. Possible reasons for this behavior include simply timing or HB 487 effects which broadened the individual income tax base by removing many deductions that were available on returns filed in previous years. The result has been both lower refunds and more pay returns.

Total sales and use tax receipts for the quarter were $928.2 million compared to $859.9 million in the third quarter of FY18. The $68.3 million difference translates to an increase of 7.9 percent following a very strong holiday season of growth. Receipts have now grown 8.4 percent for the first nine months of FY19, right on par with the official projections. In FY18, the sales tax was expanded to include many services that were not previously subject to tax.

Property tax receipts were $7.2 million, or 5.3 percent, more than the third quarter of FY18. Collections of $143.5 million compare to $136.3 million received in the third quarter of FY18. Property tax collections have grown 4.0 percent through the first nine months of FY19, slightly ahead of the official estimate.

Corporation income tax receipts were $19.7 million compared to $37.8 million, received a year earlier. For the year, collections have decreased 1.5 percent.

The LLET registered a $19.9 million increase in the third quarter of FY19 when compared to the third quarter of FY18. Collections of $55.2 million compares to the $35.3 million received in the third quarter of FY18. The LLET receipts have fallen 5.5 percent thus far in FY19.

Coal severance tax receipts grew in the third quarter with receipts up 17.4 percent. Collections of $26.2 million compared to the FY18 third quarter total of $22.3 million. Tax receipts have declined 4.3 percent through the first nine months of the fiscal year.

Cigarette tax receipts were $34.3 million, 69.4 percent more than collected in the third quarter of FY18. Collections of $83.7 million compare to the $49.4 million received in the third quarter of FY18. Year-to-date cigarette tax receipts have grown 67.7 percent. The revenue increase combines the 83.3 percent increase in the cigarette tax from $0.60 per pack to $1.10 per HB 487 with slightly lower consumption.

Lottery dividends posted an increase of 2.5 percent, or $1.5 million, during the third quarter of FY19. Receipts totaled $61.0 million and compare to revenues of $59.5 million received a year earlier. Year-to-date collections are up 4.3 percent for the fiscal year.

The “Other” category, which represents the remaining accounts of the General Fund, increased 7.3 percent in the third quarter. Third quarter receipts for FY19 were $281.4 million and compare to $262.2 million in FY18.

Figure 1
Composition of Third Quarter FY19
General Fund Revenues

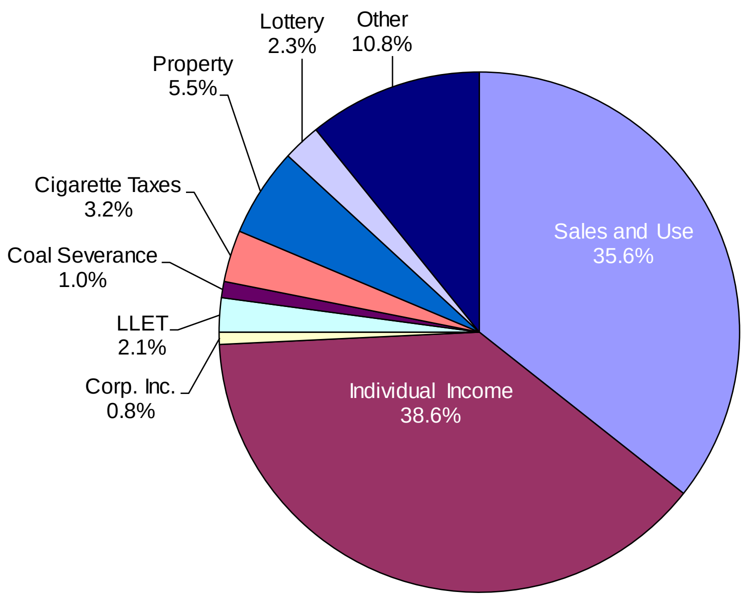


Figure 1 details the composition of third-quarter General Fund receipts by tax type. Almost 75 percent of General Fund revenues were collected in the areas of the individual income and sales taxes. The next largest source of revenue was the “Other” account at 10.8 percent. The major components in this category include insurance premium, bank franchise, and telecommunications taxes. Property tax accounted for 5.5 percent. Cigarette taxes accounted for 3.2 percent. The lottery accounted for 2.3 percent. The LLET accounted for 2.1 percent. The coal severance tax accounted for 1.0 percent. The corporation income tax accounted for 0.8 percent.

ROAD FUND
Third Quarter, FY19

Road Fund revenue remained flat in the third quarter of FY19. Receipts totaled $370.0 million compared to the $370.1 million received in the third quarter of the last fiscal year. Through the first nine months of FY19, receipts have increased 2.9 percent. The official Road Fund revenue estimate calls for revenues to decline 0.3 percent for the fiscal year. Based on year-to-date tax collections, revenues can fall 9.0 percent for the remainder of FY19 and 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

	FY19 Q3	FY18 Q3	Diff $	Diff %
Motor Fuels	179.7	180.8	-1.1	-0.6
Motor Vehicle Usage	121.2	123.1	-1.9	-1.5
Motor Vehicle License	32.4	32.2	0.2	0.8
Motor Vehicle Operators	4.0	4.0	0.0	0.4
Weight Distance	21.0	20.2	0.7	3.6
Income on Investments	2.8	0.6	2.2	383.4
Other	8.9	9.3	-0.4	-4.6
Total	**370.0**	**370.1**	**-0.1**	**0.0**

Motor fuels tax receipts decreased 0.6 percent during the third quarter of FY19. Receipts were $179.7 million and compare to $180.8 million collected during the third quarter of last year. Through the first nine months of FY19, motor fuels grew 1.1 percent.

Motor vehicle usage tax receipts fell 1.5 percent, or $1.9 million, during the third quarter due to falling auto sales. Receipts were $121.2 million compared to $123.1 million collected during the same period last year. Year-to-date collections are still up 3.2 percent.

Motor vehicle license tax receipts increased 0.8 percent during the third quarter of FY19. Receipts of $32.4 million compare to $32.2 million received during the third quarter of FY18.

Motor vehicle operators' license fees totaled $4.0 million, a 0.4 percent increase compared to the level observed a year ago.

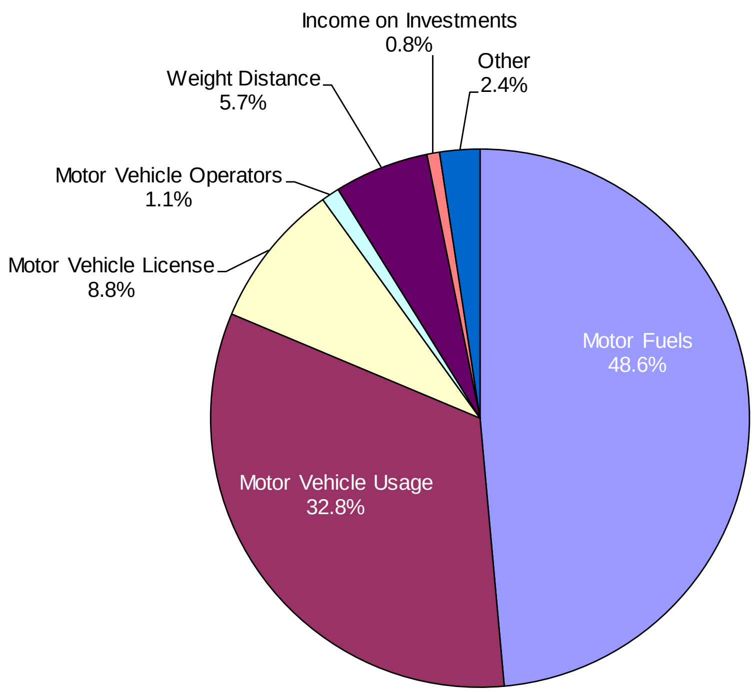
Weight distance tax receipts of $21.0 million represent a 3.6 percent increase compared to receipts collected during the third quarter of FY18. The weight distance tax is a good proxy for goods in transit over Kentucky highways.

Income on investment receipts totaled $2.8 million, a $2.2 million increase compared to the level observed a year ago.

The remainder of the accounts in the Road Fund combined for a decrease of 4.6 percent. Receipts for the "Other" category totaled $8.9 million during the third quarter, compared to $9.3 million in the third quarter of FY18.

Figure 2 details the composition of Road Fund revenues by tax type in the third quarter of FY19. Motor fuels taxes and the motor vehicle usage tax accounted for 81.4 percent of Road Fund revenues in the third quarter. The next-largest sources of revenue were the motor vehicle license tax with 8.8 percent followed by weight distance with 5.7 percent. The "Other" category accounted for 2.4 percent, while motor vehicle operators' license fees accounted for 1.1 percent. Income on investment made up 0.8 percent of Road Fund receipts.

Figure 2
Composition of Third Quarter FY19
Road Fund Revenues



THE ECONOMY
THIRD QUARTER FY19

NATIONAL ECONOMY

Real gross domestic product (real GDP) increased by 2.8 percent in the third quarter of FY19. See Table 3. Real GDP has been at or above 2.8 percent growth for the last four quarters. The 2.8 percent quarterly growth rate (quarter compared to same quarter last year) is the best real GDP growth since the second half of FY15. The quarterly growth rates, which contain four quarters of movements, can sometimes mask individual single-quarter movements. That is why it is often helpful to examine adjacent-quarter growth rates. Adjacent-quarter growth in the third quarter was 0.3 percent. This is the low point over the last eight quarters, where average adjacent-quarter growth has been 0.7 percent. Average adjacent-quarter growth during the entire Obama administration was 0.5 percent. Average adjacent-quarter growth during the entire Bush administration was 0.4 percent and that includes considerable segments of two different recessions. The large majority of the growth in the third quarter of FY19 came from real consumption and real investment.

Real consumption grew by 2.9 percent in the third quarter of FY19. Real consumption grew a net $363.4 billion over the last four quarters. Real consumption contributed by far the greatest amount to real GDP than any other component. Adjacent-quarter growth rates for the last four quarters were 0.9, 0.9, 0.7 and 0.3 percent, respectively. While 2.9 percent is excellent growth, the majority of that growth occurred in the fourth quarter of FY18 and the first quarter of FY19. All of real GDP grew by only 0.3 percent in the third quarter, matching the real consumption softening. We can see that both real consumption growth and real GDP growth have slowed over the last two quarters. Historically, even after accounting for price levels, the third quarter is the weakest of the four quarters. Real consumption made up 69.4 percent of real GDP in the third quarter.

Real investment grew by 4.4 percent in the third quarter of FY19. Adjacent-quarter growth in the third quarter was -0.2 percent. Strong growth in the first quarter of FY19 for real investment obscures the weaker real investment growth in the other three quarters of the last four quarters. Adjacent-quarter growth for the last four quarters is -0.1, 3.6, 1.1, and -0.2 percent, respectively. Average adjacent-quarter growth since the end of the 2007 recession is 1.6 percent. So current adjacent-quarter growth is well below that average. Real investment made up 18.4 percent of real GDP in the third quarter.

Table 3
Summary of US Economic Series
Third Quarter FY19 & FY18

	Third Quarter			
	FY19	FY18	Chg	% Chg
Real GDP	18,843.4	18,324.0	519.5	2.8
Real Consumption	13,086.3	12,722.8	363.4	2.9
Real Investment	3,467.5	3,321.0	146.4	4.4
Real Govt. Expenditures	3,215.7	3,152.2	63.5	2.0
Real Exports	2,578.3	2,517.8	60.6	2.4
Real Imports	3,538.8	3,420.1	118.7	3.5
CPI all goods (% chg)	1.6	2.2	NA	NA
CPI Food (% chg)	1.5	1.5	NA	NA
CPI Energy (% chg)	-3.5	6.8	NA	NA
CPI Core (% chg)	2.2	1.9	NA	NA
Industrial Production Index (% chg)	3.7	3.4	NA	NA
Working Population[1] (millions)	258.4	256.9	1.5	0.6
Civilian Labor Force[2]	162.6	161.0	1.5	1.0
Employed[3]	155.9	154.0	1.8	1.2
Unemployed[4]	6.7	7.0	-0.3	-3.8
Not in Labor Force[5]	95.8	95.9	-0.1	-0.1
Labor Force Participation Rate[6] (%)	63.1	62.9	NA	NA
Unemployment Rate (%)	3.8	4.1	NA	NA

Real government expenditures grew by 2.0 percent in the third quarter of FY19. Real government expenditures in the third quarter were $3,215.7 billion. This is down only slightly from the level at the end of the 2007 recession, $3,266.2 billion. As mentioned in previous reports, real government expenditures have followed an unusual path following the conclusion of the 2007 recession. Real government expenditures appear to be in a new second growth period since the recession ended. Real government expenditures have grown on an adjacent-quarter basis for the last six consecutive quarters. Real government expenditures made up 17.1 percent in the third quarter.

Total federal outlays (which are slightly different than government expenditures) rose by 6.0 percent in the third quarter of FY19. See Table 4. This is significant growth by any standard. Average adjacent-quarter growth over the last two decades is 1.2 percent. Adjacent-quarter growth in the third quarter of FY19 is 1.9 percent. Outlays growth has been 1.2 percent or higher in every single quarter for the last seven quarters. This is significant in absolute terms and in percentage terms. The 1.9 percent growth is equivalent to an $89.1 billion increase in one quarter.

Table 4
US Federal Outlays
$ billions, AR

	Third Quarter			
	FY19	**FY18**	**Chg**	**% Chg**
Federal Outlays excl. Gross Investment	4,662.2	4,398.2	264.0	6.0
Social Security	1,026.8	960.8	66.0	6.9
Medicare	781.6	713.7	67.9	9.5
National Defense	648.9	606.6	42.2	7.0
Interest on Debt	569.3	525.5	43.8	8.3
Medicaid	391.0	389.7	1.3	0.3
Non-Medicaid Grants to S&L Govts	187.2	189.5	-2.3	-1.2
Subsidies	59.4	60.0	-0.6	-1.0
Aid to Foreign Governments	55.0	48.7	6.3	13.0

Outlays are slightly different than expenditures. In its simplest form, federal outlays are those things for which the US Treasurer writes a check to an individual, company, or foreign government. This includes things like Medicare expenditures on behalf of citizens, national defense purchases of airplanes from private companies, and aid to foreign governments. Outlays do not include things like local municipalities fixing potholes in the street, states building bridges, or federal government gross investment. Government expenditures also includes things like Medicare expenditures on behalf of citizens, national defense purchases of airplanes, and aid to foreign governments. Government expenditures include gross investment, and several other accounting items, many of which are negative.

Aid to foreign governments was the fastest growing outlay in the third quarter, growing 13.0 percent. Aid to foreign governments is not smooth or uniform over the course of a year. So it is useful to take the average of four quarters to get an idea of how fast aid outlays are growing. Aid to foreign governments has begun to increase in the last four quarters. The four-quarter average for the last four quarters is $58.6 billion. The four-quarter average for the four quarters immediately following the 2007 recession was $53.9 billion. So on average, aid has gone up relative to a decade ago.

Interest on the debt grew by 8.3 percent in the third quarter. For many years, the interest on the debt as a share of total outlays was shrinking. In 2000, interest on the debt's share of total outlays was 18.4 percent. By the third quarter of FY09, the share had fallen to just 9.7 percent of total outlays. Over the next decade, that share has again risen to 12.2 percent of total outlays. The United States is now spending $569.3 billion on debt service alone. That is $569.3 billion that cannot be spent on real national needs. Interest on the debt is not only large in share terms, but it is also growing quickly in absolute terms. In the last seven quarters alone, interest on the debt has risen by $113.3 billion.

Real exports grew by 2.4 percent in the third quarter of FY19. Exports are subject to the incomes and demand changes in several countries. As a result, the changes in exports from quarter to quarter are not smooth, nor do they contain a strong trend component. In fact, counterintuitively, exports have declined on eight occasions since the end of the 2007 recession. Despite these periodic declines in exports, total exports are rising over time. The United States is continuously expanding trade of existing goods with existing trading partners, selling new goods to existing trading partners, and even expanding trade to new countries. As a result, total exports are rising over time. Real exports to all trading partners have risen by a net 51.0 percent since the end of the 2007 recession. Real imports grew by 3.5 percent in the third quarter of FY19. Real exports made up 13.7 percent of real GDP in the third quarter. Real imports made up 18.8 percent of real GDP in the third quarter.

US personal income grew by 4.2 percent in the third quarter of FY19. The adjacent-quarter growth in the third quarter is 0.9 percent. Coincidentally, this is the same as the average adjacent-quarter growth since the end of the 2007 recession. Adjacent-quarter growth has hovered near the 0.9 percent mark for the last eight quarters. Transfer receipts income grew the fastest in the third quarter of FY19, growing 6.4 percent. Wages and salaries income grew $362 billion, or 4.2 percent, in the third quarter contributing the largest in absolute dollars to total personal income.

US non-farm employment grew by 1.8 percent in the third quarter of FY19. Non-farm employment growth has been very steady for the last 17 quarters. Adjacent-quarter growth has lingered between 0.3 percent and 0.5 percent in every quarter during that time. Adjacent-quarter growth in the third quarter was 0.5 percent. Mining employment grew the fastest in the third quarter of FY19, gaining 7.7 percent on a very small base. Mining employment includes the mining of minerals like limestone and coal, the mining of metals like iron and the extraction of oil and gas. The mining employment category also includes agriculture, forestry/logging, and fishing and hunting. The mining employment category is the smallest of the non-farm employment supersectors.

Business services employment grew the fastest in absolute terms, gaining a net 500,000 jobs compared to the third quarter of FY18. Business services employment is a result of fast growth in the previous three quarters, while softening in the third quarter of FY19. Adjacent-quarter growth in the last four quarters was 0.7, 0.7, 0.7, and 0.4 percent, respectively. The weakest sector in the third quarter was information services employment. Information services employment declined by 0.1 percent in the third quarter. Information services employment has been weak for the last eight quarters; it has remained at 2.8 million since the third quarter of FY17.

KENTUCKY ECONOMY

Kentucky personal income grew by 4.5 percent in the third quarter of FY19. Recent growth has improved relative to the average for the last decade. Adjacent-quarter growth for the last four quarters is 1.1, 0.6, 1.4, and 1.3 percent, respectively. Average adjacent-quarter growth since the end of the 2007 recession has been 0.8 percent. Recent growth has even been better than the average growth during the expansion period following the 2001 recession. Average adjacent-quarter growth was 1.1 percent during the expansion period following the 2001 recession.

Transfer receipts income grew by 7.0 percent, which was the fastest growing component of personal income in the third quarter of FY19. Transfer receipts income has grown fast in the period since the end of the 2007 recession, gaining a net 39.9 percent. But transfer receipts were not the fastest growing component during that time; proprietor's income was. Proprietor's income grew 55.0 percent during that time. Proprietor's income is the smallest of the five contributing personal income components. Proprietor's income grew by 4.9 percent in the third quarter; one of the two components that grew faster than total personal income.

Dividends, interest, and rents income was the slowest grower in the third quarter gaining only 2.3 percent over the same quarter last year. Dividends, interest, and rents income experienced a reversal of fortune in the third quarter, falling 0.7 percent on an adjacent-quarter basis. This is in sharp contrast to the strong 1.4 percent adjacent-quarter growth during the second quarter of FY19. Dividends, interest and rents income has experienced solid growth for the last three years.

Kentucky wages and salaries income grew by 4.1 percent in the third quarter of FY19. This is the 12th consecutive quarter of growth for wages and salaries income. Wages and salaries income is typically a cyclical series, and therefore moves in synchronicity with real GDP. It is rare for wages and salaries to decline during an expansion period. Wages and salaries income has declined on three separate occasions since the end of the 2007 recession; once in the third quarter of FY10, once in the second quarter of FY12, and once in the third quarter of FY16. Average adjacent-quarter growth since the end of the recession has been modest at 0.8 percent. Adjacent-quarter growth in the third quarter of FY19 is 1.1 percent. Kentucky wages and salaries income made up 49.6 percent of Kentucky personal income in the third quarter of FY19.

Kentucky non-farm employment grew by 1.1 percent in the third quarter of FY19. Mining employment was the fastest growing employment sector, growing 9.8 percent in the third quarter of FY19. Mining employment peaked in the third quarter of FY09 with 25,500 jobs statewide. Those jobs disappeared over the next decade down to 9,600 statewide by the third quarter of FY18. Only in the last four quarters has mining employment showed any upward movements, albeit small movements. The slowest growing employment sector was information employment, which declined by 1.3 percent in the third quarter.

Government employment also declined by 0.5 percent in the third quarter. Government employment includes federal government employment, state government employment, and local government employment that occurs inside the state boundaries of Kentucky. Government employment has mostly followed a classic countercyclical pattern following the 2007 recession. Government employment increased during the 2007 recession and well into the expansion period following the end of the recession. The increases persisted until the first quarter of FY15 when employment peaked at 325,100 jobs state-wide. Following that time, government employment has contracted on net. Third quarter government employment was 312,800 jobs. It has declined significantly since FY15, but is still considerably higher than the pre-recession trough.

Table 5
Personal Income
$ billions, SAAR

	Third Quarter			
	FY19	**FY18**	**$ Diff**	**% Diff**
United States				
Personal Income	18,047	17,319	728	4.2
Social Insurance	1,396	1,344	52	3.9
Residence Adjustments	0	0	0	457.0
Dividends, Interest and Rents	3,562	3,469	93	2.7
Transfer Receipts	3,123	2,934	189	6.4
Wages & Salaries	9,072	8,711	362	4.2
Supplements to W&S	2,060	1,999	60	3.0
Proprietor's Income	1,626	1,550	76	4.9
Kentucky				
Personal Income	192.5	184.2	8.3	4.5
Social Insurance	15.7	15.1	0.6	3.7
Residence Adjustments	-2.2	-2.1	-0.1	5.2
Dividends, Interest and Rents	30.9	30.2	0.7	2.3
Transfer Receipts	47.9	44.8	3.1	7.0
Wages & Salaries	95.4	91.6	3.8	4.1
Supplements to W&S	23.5	22.7	0.8	3.4
Proprietor's Income	12.7	12.1	0.6	4.9

Table 6
Summary of US & KY Employment
Third Quarter FY19 & FY18

	US Q3 (millions)			KY Q3 (thousands)		
	FY19	**FY18**	**% Chg**	**FY19**	**FY18**	**% Chg**
Non-farm Employment	150.8	148.0	1.8	1,949.4	1,927.9	1.1
Goods-producing	21.1	20.5	3.0	344.2	339.0	1.6
Construction	7.5	7.2	4.2	79.2	77.7	1.9
Mining	0.8	0.7	7.7	10.5	9.6	9.8
Manufacturing	12.8	12.6	2.0	254.5	251.7	1.1
Service-providing	107.2	105.2	1.9	1,292.3	1,274.7	1.4
Trade, Transportation & Utilities	27.8	27.6	1.1	407.1	403.6	0.9
Information	2.8	2.8	-0.1	21.8	22.1	-1.3
Finance	8.6	8.5	1.4	93.7	92.8	0.9
Business Services	21.3	20.8	2.6	220.8	217.3	1.6
Educational Services	24.0	23.5	2.2	280.9	275.9	1.8
Leisure and Hospitality Services	16.7	16.2	2.7	202.3	197.5	2.4
Other Services	5.9	5.8	1.3	65.7	65.4	0.5
Government	22.5	22.4	0.5	312.8	314.3	-0.5

INTERIM OUTLOOK

GENERAL FUND

The Interim Outlook represents unofficial staff estimates prepared pursuant to KRS 48.400 (2). Forecasted revenues presented in Table 7 and Table 8 were projected using the March 2019 "control scenario" economic forecast from both IHS Markit and the Kentucky MAK model as our primary inputs. In addition, the revenue estimates incorporate various tax law changes enacted during the 2018 Regular Session of the General Assembly. The official estimate is defined as the Consensus Forecasting Group's estimates adjusted by any actions of the General Assembly. The Consensus Forecasting Group last met in December of 2017. The 2018 Regular Session of the General Assembly then passed HB 487, which added a net $192.3 million to the official General Fund estimate for FY19. Since then, the official estimate has changed again due to the enactment of HB 354 and HB 458 during the 2019 Regular Session of the General Assembly. The official scores for the two bills from the 2019 Session are $0.0 million in FY19 and a reduction of $25.5 million in FY20, respectively. A portion of the $25.5 million negative impact for FY20 is included in the estimates for the first half of FY20.

A portion of the impact from HB 487 has already occurred and was incorporated into the various accounts during the first three quarters of FY19. In practice, it is very difficult to bifurcate the impacts of the economy versus the effects of the new tax law. The problem is more complicated now with the passage of HB 354 and HB 458 during the 2019 Regular Session, which will begin to affect revenues in FY20.

Projected General Fund revenues are shown in Table 7. As the table indicates, General Fund growth is projected to be 2.3 percent for the final quarter of FY19. FY19 is expected to close at $11,218.3 million – a total which is $20.1 million above the official budget estimate of $11,198.2 million.

Individual income tax receipts are expected to decline by 2.1 percent during the fourth quarter of FY19 following a year-to-date decline of 2.3 percent. The FY19 total for the individual income tax is projected to be $4,501.3 million, a sum $29.9 million below the official estimate for FY19. The individual income tax was significantly impacted by the contents of HB 487. House Bill 487 will reduce the individual income tax by a net $118.3 million for FY19. A share of that impact has been attributed to fourth quarter activity. The withholding component of the individual income tax was profoundly impacted by the rate reduction elements of the tax bill. Withholding tables were adjusted in May 2018, following the passage of HB 487. The lower withholding amounts through the first nine months of FY19 support the expected annual decline in the individual income tax. Positive growth of 2.2 percent should return during the first half of FY20 since the tax law changes from 2018 will then be "built-in" to the historical data from FY19. The appropriate share of the 2019 tax law changes are incorporated into the forecast for FY20 as well.

Sales and use tax receipts grew 8.4 percent during the first nine months of FY19, primarily due to the base expansion elements of HB 487. The full-year FY19 impact of the expansion of the sales tax is $208.2 million. A weighted share of that impact was added to the forecast shown in Table 7. House Bill 487 will increase the sales and use tax by a net $208.2 million for FY19. Another contributor to the growth in the sales tax has been the October 1, 2018 implementation of sales tax collections on internet sales, which was made possible by the U.S. Supreme Court's *Wayfair* decision. Additional taxpayer accounts surface each month as online sellers come into compliance with the new tax laws. Growth will continue into the first half of FY20 with a projected 8.0 percent uptick.

Table 7
General Fund Interim Forecast
$ millions

	FY19						FY19		FY20	
	Q1 - Q3		Q4		Full Year		Official CFG		Q1 - Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Individual Income	3,189.5	-2.3	1,311.8	-2.1	4,501.3	-2.2	4,531.2	-29.9	2,231.7	2.2
Sales & Use	2,891.7	8.4	1,013.2	8.0	3,904.8	8.3	3,907.6	-2.8	2,120.2	8.0
Corp. Inc. & LLET	441.9	-2.7	298.6	1.1	740.5	-1.2	773.2	-32.7	376.9	2.7
Property	574.3	4.0	68.0	-1.6	642.3	3.4	620.7	21.6	444.5	3.2
Lottery	183.6	4.3	78.9	2.4	262.5	3.8	249.0	13.5	119.5	-2.6
Cigarettes	282.0	81.3	79.6	41.5	361.6	70.7	337.9	23.7	172.5	-13.0
Coal Severance	65.9	-4.3	19.4	-6.4	85.3	-4.8	77.9	7.4	34.3	-13.7
Other	572.3	3.6	147.7	-2.6	719.9	2.3	700.7	19.2	295.8	1.7
General Fund	**8,201.2**	**3.9**	**3,017.1**	**2.3**	**11,218.3**	**3.5**	**11,198.2**	**20.1**	**5,795.4**	**3.5**

Property tax revenues are on pace to exceed the FY19 official estimate by $21.6 million. Growth through nine months of FY19 was a robust 4.0 percent. Receipts are expected to decline 1.6 percent in the final quarter of FY19 due to the timing of billing and payments. In particular, the public service account and the omitted and delinquent account have overachieved thus far in FY19. Both of these accounts have shown double-digit growth through March, which historically leads to weakness in the remainder of the fiscal year. In addition, the state rate on real property remained at 12.2 cents per $100 in valuation. Many rural areas of the state continue to languish from the effects of the housing recession and diminished economic opportunities. Thus, the state rate has remained at 12.2 cents since valuation year 2008, an unprecedented run of 11 consecutive years without a rate decline.

The corporation income tax and the LLET are now reported and estimated combined due to the inability to separate the receipts in a meaningful manner. Business taxes were also affected by HB 487 and the 2019 legislation's HB 354 and HB 458. The progressive rate structure was replaced with a flat rate of 5.0 percent, which represents a tax cut for most businesses. Rate cuts were coupled with some base broadening and an update to the IRC effective January 1, 2018. The impact of the tax law for corporate and LLET is -$26.6 million. Corporate and LLET combined are expected to decline a net 1.2 percent for FY19. Year-to-date collections are down 2.7 percent. Receipts are poised to increase 1.1 percent in the final quarter of FY19. Receipts are expected to rebound 2.7 percent in the first half of FY20 over a depressed base.

Coal severance receipts fell 10.8 percent in FY18 but managed to exceed the official estimate by $1.1 million. Coal severance receipts have fallen from an all-time high of $298.3 million in FY12 to an all-time low of $89.6 million in FY18. This interim estimate calls for a further decline in coal severance tax receipts of 4.8 percent in FY19, which would mark a new annual low of $85.3 million. The coal severance tax was unaffected by any of the recent tax reform bills so no exogenous changes were applied to the forecast. The first half of FY20 is expected to bring a further reduction of 13.7 percent to the already beleaguered coal severance account.

Cigarette tax receipts in FY19 have been significantly impacted by the change in the rate of taxation. House Bill 487 raised the tax on each pack of cigarettes from 60 cents to $1.10, with an associated tax impact of $130.0 million for FY19. A floor stocks tax of 50 cents per pack was also added to inventories to prevent hoarding prior to the July 1 tax increase. The effect of the tax increase and floor stocks tax are projected to increase receipts by 70.7 percent in FY19. Growth thus far has been 81.3 percent, but that included collections of $21.3 million for the floor stock tax that will not be present in the final quarter of FY19. An increase of 41.5 percent is expected during that period. The downward trend in smoking is expected to continue beyond the forecasting horizon. Therefore, the revenue total from FY19 is likely to be a high watermark for cigarette tax receipts going forward – absent any further changes to the rate of taxation.

Lottery dividends exceeded the FY18 estimate by $10.0 million, largely due to strength in the online games and solid growth in the instant ticket marketplace. As with any revenue source, unusually high growth in the base period creates a higher bar to clear for the projections in the following years. Significant improvement is expected vis-à-vis the official estimate of $249.0 million. Lottery collections are projected to be $262.5 million in FY19, a sum $13.5 million higher than the official estimate.

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 2.3 percent during FY19, a rate of growth slightly higher than the 2.0 percent increase in FY18. Each account was re-examined after the first three quarters of FY19 and the proper adjustments were made to calibrate the models. The “Other” accounts totaled $703.7 million in FY18. “Other” collections are estimated to be $719.9 million for FY19, which is $19.2 million greater than the official estimate.

ROAD FUND

Road Fund revenues softened during the third quarter of FY19, showing no growth over the previous year. The third quarter performance in the Road Fund compares unfavorably to the 3.8 percent increase in the first quarter of FY19 and 4.8 percent in the second quarter. The two largest accounts, motor fuels and motor vehicle usage, both declined in the third quarter.

Going forward, total Road Fund receipts are expected to grow only 0.5 percent in the fourth quarter of FY19, but it is still anticipated that the Road Fund will end the year well above FY18 levels. In fact, the latest internal estimates call for the Road Fund to end the year at $1,544.6 million, a sum $38.0 million higher than the official estimate - as shown in Table 8. The first half of FY20 is expected to decline by 0.7 percent, partly attributable to the high base achieved during the first half of FY19. None of the aforementioned tax legislation affected the Road Fund, so no adjustments to the forecast were indicated.

Motor fuels taxes grew 1.1 percent in the first three quarters of the year and are forecasted to increase 0.6 percent over the remainder of the year, as consumption remains strong due despite the recent uptick in pump prices. Motor vehicle usage tax receipts also rose in the first three quarters of FY19, growing 3.2 percent. That rate of growth is expected to evaporate during the final quarter, due in large part to a decline in demand for vehicles. Most of the remaining Road Fund accounts - motor vehicle license, weight distance, investment and “Other” receipts - all posted solid growth in the first three quarters of the fiscal year. However, forecasted values for these accounts are expected to slow from their current rates over the remainder of the year. The forecasted FY19 total for the Road Fund is $1,544.6 million, marking the highest total since the Road Fund peaked in FY14 during an era of much higher motor fuels receipts.

Table 8
Road Fund Interim Forecast
$ millions

	FY19						FY19		FY20	
	Q1 - Q3		Q4		Full Year		Official CFG		Q1 - Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Motor Fuels	575.3	1.1	197.0	0.6	772.3	1.0	759.2	13.1	399.2	0.9
Motor Vehicle Usage	376.4	3.2	127.8	-0.6	504.1	2.2	494.0	10.1	247.3	-3.1
Motor Vehicle License	77.9	6.0	39.9	1.3	117.8	4.3	116.5	1.3	44.0	-3.2
Motor Vehicle Operators	12.4	0.0	4.4	0.6	16.8	0.1	16.7	0.1	8.5	1.0
Weight Distance	63.2	2.6	20.6	3.0	83.9	2.7	82.1	1.8	43.2	2.1
Income on Investments	6.6	308.5	2.1	73.1	8.7	207.8	3.1	5.6	3.8	-1.0
Other	29.5	10.1	11.5	-4.0	41.0	5.8	35.0	6.0	20.1	-2.6
Road Fund	**1,141.3**	**2.9**	**403.3**	**0.5**	**1,544.6**	**2.2**	**1,506.6**	**38.0**	**766.0**	**-0.7**

NATIONAL OUTLOOK

Real GDP growth is expected to slow over the next three quarters. US employment growth is expected to moderate. The housing market is expected to provide some headwinds for some segments of the economy. Housing starts have been adjusted down to reflect this outlook.

The next two fiscal quarters will also be impacted by gasoline prices. Gasoline prices have risen several times during the third quarter of FY19. These early season fluctuations occur each year due to a series of factors. The peak time for refinery maintenance occurs in the first quarter of each year after winter heating oil demand declines. This is also the time when refineries begin switching to required summer-grade blends. The change in production processes requires significant down-time resulting in a reduction in gasoline production, causing existing prices to increase. Additionally, the summer-grade gasoline is more expensive to produce. The overall result is a seasonal increase in gasoline prices.

The third quarter also included some additional factors that have affected gasoline prices. The price of crude oil, the largest component of gasoline prices, increased 32 percent from January to March. US refineries have been reducing their use of Venezuelan oil. The imposition of sanctions has caused refineries to seek alternative sources for crude oil. The recent flooding in the Mid-West has disrupted the production of approximately 12 percent of the US ethanol capacity. The flooding has also caused damage to rail and barge distribution infrastructure that has hampered the ability for ethanol to be transported to coastal markets. The overall impact was a significant increase in the cost of ethanol used in blending gasoline and a sharp drawdown in the stockpiles of ethanol.

The Federal Open Market Committee (FOMC) held the federal funds rate constant at their March meeting, signaling a more "dovish" period ahead. The FOMC signaled that the committee is considering holding the Federal funds rate steady due to expectations that the slower base forecast for US growth and labor markets, combined with continued expectations for continued slower growth in global economies, necessitate a less aggressive interest rate policy. Additionally, the FOMC members are taking a "risk-management" approach that emphasizes an asymmetric reaction to potential downside risks. While the Fed possess several policy tools to respond to a potential downturn, the current low real interest rates and inflation give the FOMC less flexibility in providing future stimulus through interest rate adjustments. The current forecast assumes that the FOMC will moderate the pace of their rate increases to only two increases in calendar 2019. The yield on ten-year Treasury issuances have decreased by 70 basis points since November, and the Treasury yield curve will continue to flatten, with the spread between two- and ten-year Treasury issuances remaining positive but below historical norms.

KENTUCKY OUTLOOK

Similar to preceding quarters, the uptick in Kentuckians' personal income is poised to continue its recent run of modestly strong growth, increasing 4.5 percent by the final quarter of FY19, and 4.7 percent for the first half of FY20. See Table 10. The third quarter of FY19 marked the twelfth consecutive quarter Kentuckians have experienced growth in personal income.

The wages and salaries component also projects steady growth, holding moderate pace of 4.5 percent to close FY19 and 4.4 percent for the first and second quarter of FY20. Job growth and wage gains are expected to support continued consumer spending and real disposable income in the short term, in turn positively influencing the overall economic climate of the Commonwealth. Kentucky's unemployment rate is not significantly different from the national rate of 3.8 percent reported for the same period.

Shifting focus towards the sectoral analysis, total non-farm employment is anticipated to edge up 8,000 jobs by June of 2019 and an additional 14,100 by December, ending the second quarter of FY20. The goods-producing sectors are expected to increase by 1.8 percent in the fourth quarter of FY19 and by another 2.0 percent in the first half of FY20. The service-providing sectors are expected to increase by 1.5 percent in the fourth quarter of FY19 and by another 1.8 percent in the first half of FY20. The leisure and hospitality services sector is expected to grow the fastest in the fourth quarter, gaining 3.2 percent over the fourth quarter in FY18. Business services employment is also expected to grow faster. Growth of 1.4 percent is expected in the fourth quarter of FY19 and an additional 3.0 percent growth for the first half of FY20.

The goods-producing employment sectors projects the largest percentage based growth for both the final quarter of FY19 and the first half of FY20. Employment in the manufacturing sector is expected to increase 4,600 jobs or 1.8 percent by close of FY19. The government sector growth is expected to finish the year down 0.7 percent relative to FY18.

Table 9
US Economic Outlook
FY19 Q4, FY20 Q1 & Q2

	Q4			Full Year		Q1 & Q2	
	FY19	FY18	% Chg	FY19	% Chg	FY20	% Chg
Real GDP	18,961.1	18,511.6	2.4	18,813.5	2.8	19,120.7	2.1
Real Consumption	13,165.6	12,842.0	2.5	13,062.3	2.7	13,282.7	2.2
Real Investment	3,485.1	3,316.7	5.1	3,465.9	5.6	3,528.0	2.1
Real Govt. Expenditures	3,240.5	3,171.8	2.2	3,210.9	2.0	3,250.2	1.8
Real Exports	2,606.6	2,574.2	1.3	2,569.8	2.3	2,668.4	4.8
Real Imports	3,572.4	3,415.2	4.6	3,529.6	4.3	3,648.0	4.1
CPI all goods (% chg)	1.9	2.7	NA	2.1	NA	2.2	NA
CPI Food (% chg)	1.7	1.3	NA	1.5	NA	2.2	NA
CPI Energy (% chg)	-0.6	10.3	NA	2.0	NA	0.9	NA
CPI Core (% chg)	2.2	2.2	NA	2.2	NA	2.3	NA
Industrial Production Index (% chg)	2.9	3.4	NA	4.0	NA	1.8	NA
Unemployment Rate (%)	3.6	3.9	NA	3.7	NA	3.5	NA

Table 10
Kentucky Economic Outlook
FY19 Q4, FY20 Q1 & Q2

	Q4			Full Year		Q1 & Q2	
	FY19	FY18	% Chg	FY19	% Chg	FY20	% Chg
Personal Income ($ millions)	194,609.4	186,238.5	4.5	191,131.6	4.0	197,651.5	4.7
Wages and Salaries ($ millions)	96,468.4	92,276.6	4.5	94,824.4	3.8	97,811.1	4.4
Non-farm Employment (thousands)	1,956.6	1,932.2	1.3	1,944.9	1.0	1,966.6	1.5
Goods-producing	345.6	339.5	1.8	342.9	1.3	347.6	2.0
Construction	79.5	78.0	1.9	78.9	1.5	79.7	1.7
Mining	10.2	10.1	0.7	10.3	3.8	10.2	-0.6
Manufacturing	255.9	251.3	1.8	253.8	1.1	257.7	2.1
Service-providing	1,298.1	1,278.7	1.5	1,289.3	1.3	1,305.9	1.8
Trade, Transportation & Utilities	408.7	404.4	1.1	406.6	1.0	409.8	1.1
Information	21.8	22.2	-1.6	21.8	-1.6	21.9	0.2
Finance	94.0	93.0	1.0	93.5	0.3	94.5	1.3
Business Services	221.8	218.7	1.4	220.2	1.5	225.8	3.0
Educational Services	282.3	277.6	1.7	280.2	1.9	282.9	1.5
Leisure and Hospitality Services	203.6	197.2	3.2	201.1	2.0	205.1	2.9
Other Services	66.0	65.6	0.7	65.7	0.3	65.8	0.4
Government	312.8	314.0	-0.4	312.7	-0.7	313.1	0.2

APPENDIX

General Fund and Road Fund
Revenue Receipts

Third Quarter FY19

KENTUCKY STATE GOVERNMENT – GENERAL FUND REVENUE

	Third Quarter FY 2019	Third Quarter FY 2018	% Change	Year-To-Date FY 2019	Year-To-Date FY 2018	% Change
TOTAL GENERAL FUND	$2,604,073,072	$2,490,472,569	4.6%	$8,201,199,038	$7,890,359,031	3.9%
Tax Receipts	$2,527,436,958	$2,420,844,961	4.4%	$7,929,426,090	$7,638,705,700	3.8%
Sales and Gross Receipts	$1,135,110,776	$1,024,349,640	10.8%	$3,461,818,897	$3,104,826,594	11.5%
Beer Consumption	1,040,955	1,254,010	-17.0%	4,372,074	4,510,905	-3.1%
Beer Wholesale	12,417,393	12,178,572	2.0%	42,376,185	43,589,464	-2.8%
Cigarette	83,678,702	49,439,604	69.3%	260,725,641	155,576,176	67.6%
Distilled Spirits Case Sales	45,759	36,428	25.6%	120,852	114,796	5.3%
Distilled Spirits Consumption	4,073,012	3,322,483	22.6%	10,929,370	10,521,492	3.9%
Distilled Spirits Wholesale	13,391,596	10,596,534	26.4%	36,107,867	33,383,320	8.2%
Insurance Premium	62,623,531	60,271,135	3.9%	110,597,693	106,530,607	3.8%
Pari-Mutuel	4,503,761	2,241,696	100.9%	9,321,728	5,054,805	84.4%
Race Track Admission	0	1,307	-100.0%	153,276	159,457	-3.9%
Sales and Use	928,182,108	859,897,370	7.9%	2,891,652,946	2,667,554,744	8.4%
Wine Consumption	929,632	801,616	16.0%	2,386,194	2,345,972	1.7%
Wine Wholesale	5,079,664	4,442,041	14.4%	13,067,179	13,010,806	0.4%
Telecommunications Tax	13,872,822	14,848,166	-6.6%	42,162,408	46,231,604	-8.8%
Other Tobacco Products	5,202,003	5,018,423	3.7%	16,585,706	16,243,120	2.1%
Floor Stock Tax	69,839	257	27023.1%	21,259,778	(673)	---
License and Privilege	$118,627,084	$113,832,241	4.2%	$118,544,545	$115,224,334	2.9%
Alc. Bev. License Suspension	58,500	114,000	-48.7%	238,757	389,367	-38.7%
Corporation License	14,812	(8,655)	---	61,256	3,431	1685.4%
Corporation Organization	204,047	30,481	569.4%	311,087	48,121	546.5%
Occupational Licenses	33,986	44,826	-24.2%	89,701	112,408	-20.2%
Race Track License	0	3,150	-100.0%	218,375	232,200	-6.0%
Bank Franchise Tax	118,165,129	113,488,781	4.1%	117,116,261	113,934,428	2.8%
Driver License Fees	150,609	159,658	-5.7%	509,110	504,380	0.9%
Natural Resources	$33,895,041	$29,099,743	16.5%	$92,516,406	$93,351,024	-0.9%
Coal Severance	26,153,762	22,268,547	17.4%	65,912,996	68,896,013	-4.3%
Oil Production	1,268,975	1,295,607	-2.1%	4,445,442	3,713,846	19.7%
Minerals Severance	3,398,751	2,914,071	16.6%	14,222,319	13,860,802	2.6%
Natural Gas Severance	3,073,554	2,621,518	17.2%	7,935,649	6,880,364	15.3%
Income	$1,080,108,994	$1,100,816,843	-1.9%	$3,631,413,323	$3,718,049,256	-2.3%
Corporation	19,664,284	37,795,373	-48.0%	308,502,040	313,153,477	-1.5%
Individual	1,005,226,710	1,027,696,586	-2.2%	3,189,536,080	3,263,822,562	-2.3%
Limited Liability Entity	55,218,000	35,324,884	56.3%	133,375,204	141,073,217	-5.5%
Property	$143,496,908	$136,325,541	5.3%	$574,311,891	$552,145,104	4.0%
Building & Loan Association	(1,251)	21,518	---	256,328	31,401	716.3%
General - Real	71,741,831	68,538,164	4.7%	287,948,315	277,940,069	3.6%
General - Tangible	56,244,668	55,348,424	1.6%	204,213,050	204,411,457	-0.1%
Omitted & Delinquent	5,474,770	5,246,602	4.3%	18,006,028	14,452,627	24.6%
Public Service	9,046,222	6,470,176	39.8%	61,888,579	53,548,968	15.6%
Other	990,666	700,657	41.4%	1,999,590	1,760,581	13.6%
Inheritance Tax	$10,137,217	$10,386,472	-2.4%	$34,721,117	$37,382,548	-7.1%
Miscellaneous	$6,060,939	$6,034,482	0.4%	$16,099,911	$17,726,841	-9.2%
Legal Process	3,230,323	3,392,613	-4.8%	9,663,602	9,769,283	-1.1%
T. V. A. In Lieu Payments	2,824,676	2,631,901	7.3%	6,426,574	7,943,710	-19.1%
Other	5,940	9,968	-40.4%	9,735	13,848	-29.7%
Nontax Receipts	$70,175,150	$67,342,940	4.2%	$262,901,159	$247,177,552	6.4%
Departmental Fees	3,871,089	7,167,229	-46.0%	10,254,607	14,886,784	-31.1%
PSC Assessment Fee	2,498	14,584	-82.9%	16,142,107	15,840,021	1.9%
Fines & Forfeitures	4,455,755	4,517,027	-1.4%	14,845,962	13,125,799	13.1%
Income on Investments	(3,292,246)	(2,204,640)	---	(9,230,814)	(5,448,062)	---
Lottery	61,000,000	59,500,000	2.5%	183,646,017	176,000,000	4.3%
Miscellaneous	4,138,055	(1,651,259)	---	47,243,281	32,773,010	44.2%
Redeposit of State Funds	$6,460,964	$2,284,667	182.8%	$8,871,788	$4,475,779	98.2%

KENTUCKY STATE GOVERNMENT
ROAD FUND REVENUE

	Third Quarter FY 2019	Third Quarter FY 2018	% Change	Year-To-Date FY 2019	Year-To-Date FY 2018	% Change
TOTAL ROAD FUND	$369,995,054	$370,133,542	0.0%	$1,141,313,640	$1,109,647,556	2.9%
Tax Receipts-	$361,578,057	$363,699,545	-0.6%	$1,112,924,660	$1,091,862,476	1.9%
Sales and Gross Receipts	$300,902,934	$303,840,886	-1.0%	$947,959,147	$933,686,480	1.5%
Motor Fuels Taxes	179,714,854	180,780,203	-0.6%	575,308,792	569,070,645	1.1%
Motor Vehicle Usage	121,188,080	123,060,683	-1.5%	376,353,146	364,615,835	3.2%
License and Privilege	$60,675,123	$59,858,659	1.4%	$164,965,513	$158,175,996	4.3%
Motor Vehicles	32,430,499	32,188,364	0.8%	77,869,191	73,476,185	6.0%
Motor Vehicle Operators	4,005,035	3,990,652	0.4%	12,373,464	12,375,584	0.0%
Weight Distance	20,964,313	20,240,755	3.6%	63,249,363	61,673,568	2.6%
Truck Decal Fees	17,170	27,052	-36.5%	44,836	52,412	-14.5%
Other Special Fees	3,258,105	3,411,835	-4.5%	11,428,659	10,598,247	7.8%
Nontax Receipts	$7,880,187	$6,407,024	23.0%	$23,166,016	$17,151,619	35.1%
Departmental Fees	3,914,797	4,978,649	-21.4%	13,402,395	13,770,967	-2.7%
In Lieu of Traffic Fines	135,106	92,600	45.9%	315,209	261,496	20.5%
Income on Investments	2,834,785	586,412	383.4%	6,634,017	1,624,142	308.5%
Miscellaneous	995,499	749,364	32.8%	2,814,395	1,495,013	88.3%
Redeposit of State Funds	$536,809	$26,975	1890.0%	$1,520,171	$633,463	140.0%

Glossary

Adjacent-quarter	A growth rate computed as the current quarter relative to the previous quarter.
AR	Annual Rate is the quantity of a series that would occur for the entire year, if the current period's growth were to continue for the entire year.
Civilian Labor Force	A subset of the working population who are currently employed or are actively looking for employment.
Employed	In the context of working population and civilian laborforce data, 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.
Growth rate	Unless otherwise stipulated, a growth rate is computed as the current quarter relative to the same quarter of the previous year.
Labor Force Participation Rate	The Civilian Labor Force divided by the Working Population.
Not in Labor Force	A subset of the working population who have decided not to be employed nor seek employment.
SA	Seasonally-Adjusted
SAAR	Seasonally-Adjusted Annual Rate
Unemployed	In the context of working population and civilian laborforce data, Unemployed is a subset of the civilian labor force who are not currently employed but are actively seeking employment.
Working population	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.

Tables Notes

Table 3

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 FY19 Q3 are March 2019 estimates.
Source: IHS Markit - Economics & Country Risk, March 11, 2019 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.

Table 4

Not Seasonally Adjusted. Data for FY19 Q3 are March 2019 estimates.
Source: IHS Markit - Economics & Country Risk, March 11, 2019 data release.

Table 6

Not Seasonally Adjusted. Data for FY19 Q3 are March 2019 estimates.
Source: IHS Markit - Economics & Country Risk, March 11, 2019 data release.

Table 9

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 Markit - Economics & Country Risk, March 11, 2019 data release.

Table 10

Not Seasonally Adjusted.
Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis
MAK model, March 2019