Commonwealth of Kentucky

Quarterly Economic & Revenue Report

Second Quarter Fiscal Year 2023

TEAM KENTUCKY

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January 30, 2023

The Honorable Andy Beshear
Governor
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State Capitol Building
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Mr. Jay Hartz
Director
Legislative Research Commission
Room 300, State Capitol
Frankfort, Kentucky 40601

Ms. Laurie Dudgeon
Director
Administrative Office of the Courts
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Honorable Governor Beshear, Mr. Hartz and Ms. Dudgeon:

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) is directed to continuously monitor the financial situation of the Commonwealth. In furtherance of that goal, OSBD submits this *Quarterly Economic and Revenue Report* for the second quarter of FY23 to the three branches of government.

This report includes an interim revenue forecast for FY23 and the first quarter of FY24 for the General and Road Funds. The General Fund outlook is identical to the Consensus Forecasting Group (CFG) estimates from December 2022. The updates on the national and Kentucky economies are also the same as was adopted by the CFG in December.

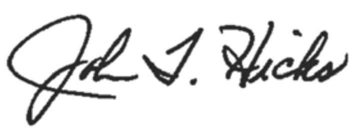
TEAM KENTUCKY

The new General Fund official estimate for FY23 is $15,201.9 million, or a 3.4 percent increase over FY22 revenues. December's new official estimate for FY23 exceeds the FY23 enacted estimate by $1,442.9 million. On the Road Fund, the interim estimate calls for FY23 receipts equaling $1,757.4 million, or $36.4 million over the official enacted estimate. The CFG was not instructed to revise the FY23 and FY24 revenue estimates for the Road Fund, so the interim estimate presented in this report is not an official estimate.

The Kentucky outlook for personal income projects positive growth in the second half of FY23 with an increase of 4.7 percent compared to the third and fourth quarters of FY22. Looking ahead to the first quarter of FY24, personal income growth is expected to moderate further, increasing 4.3 percent compared to the first quarter of FY23.

This office will continue to closely monitor Kentucky's economic and revenue conditions and will provide updates at the appropriate times.

Sincerely,



John T. Hicks
State Budget Director

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EXECUTIVE SUMMARY

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) is directed to continuously monitor the financial situation of the Commonwealth. In fulfillment of this statutory requirement, OSBD submits this *Quarterly Economic and Revenue Report* for the second quarter of fiscal year 2023 (FY23). This interim outlook includes the actual revenue receipts and economic landscape for the second quarter, a comprehensive revenue outlook for upcoming three fiscal quarters, as well as a US and Kentucky economic outlook for the same period. All estimates in this outlook extend from the third quarter of FY23 through the first quarter of FY24 (the forecasting horizon).

The interim General Fund outlook presented is identical to the official estimates prepared in December 2022. During the December meeting, the state Consensus Forecasting Group (CFG) agreed upon the official estimates that will be used in this General Fund revenue outlook. The CFG considered three different economic scenarios: a pessimistic forecast, a control or baseline forecast, and an optimistic scenario. A consensus was reached among the members that the optimistic forecast represented the most likely outcome for the national and state economies, and for the corresponding revenue forecasts. Therefore, forecasted revenues presented in Table 1 were projected using the "optimistic" economic forecasts from both S&P Global and the Kentucky MAK model providing the primary inputs to the revenue models as directed by the CFG.

Since the previous edition of the quarterly report, growth in the General Fund has remained quite strong. General Fund revenues grew 7.6 percent in the second quarter, marking the tenth consecutive and 22nd time in the last 23 quarters in which collections have increased. Six of the eight major accounts saw increases in collections in the second quarter compared to the same quarter in the prior year. However, the bulk of those gains came from the two largest taxes: sales and use and individual income.

Projected General Fund Growth for the forecasting horizon

The projections used in this report are identical to the December 2022 CFG estimates. Expected total revenue for the General Fund is $15,201.9 million, representing a 3.4 percent increase when compared to FY22. The new official estimate for the General Fund exceeds the enacted estimate by $1,442.9 million. Both completed quarters of FY23 have exceeded the 3.4 percent growth needed for the entirety of FY23. The first quarter grew at 3.8 percent and the second quarter recorded growth of 7.6 percent. When the two quarters are combined, growth in the first half of FY23 computes to 5.8 percent, or $404.6 million more than the first half of FY22. When adjusting for a legal settlement received in September of FY22, General Fund receipts would have risen 9.2 percent through the first six months of FY23. Since 3.4 percent growth is projected for FY23, the second half of the year needs to increase by 1.2 percent, or $94.9 million, to achieve the estimate. The lower expectation for new revenue in the second half of FY23 is primarily a function of three factors: the reduction of the individual income tax rate beginning January 2023, the high base of comparison in the second half of FY22, and the economic forecasts.

Projected Road Fund Growth for the forecasting horizon

The interim Road Fund forecast calls for accelerated revenue growth over the second half of FY23 and continuing into the first quarter of FY24. Collections are forecasted to increase 6.4 percent for the remainder of the year and slow only slightly in the first quarter of FY24. Revenue collections will be aided by the economic assumptions underlying this forecast. Motor fuels revenues are forecasted to grow 5.5 percent for the remainder of the year and 6.7 percent in the first quarter of FY24. Lower gasoline prices and an increase in the tax rate (which was assumed due to the February 27 expiration of the emergency regulation freezing the rate unless the General Assembly acts during the 2023 legislative session) will drive the gains. Motor vehicle usage tax collections are expected to grow 6.5 percent and 3.9 percent over the forecast horizon.

Summary of Projected Major Economic Factors

Various economic projections have questioned whether the US economy is currently in a recession or is entering a recession in the upcoming quarters. The economic forecast used in this report assumes that the answer to both questions is no. Using the traditional metric of two or more adjacent quarters of declining real GDP as the indicator of a recession, neither the recent economic past nor the outlook over the forecasting horizon suggests two consecutive quarters of GDP decline. Beginning in the first quarter of FY23 and going through the forecasting horizon, the five adjacent-quarter rates of real GDP growth are 0.6, 0.3, -0.1, 0.1, and 0.3 percent, respectively. The only negative quarter in that span is the third quarter of FY23. This is weak growth historically. This weak growth in real GDP is expected to persist throughout the forecast horizon.

The Kentucky outlook for personal income projects positive nominal growth in the second half of FY23 with an increase of 4.7 percent compared to the third and fourth quarters of FY22. That forecasted increase suggests a slight softening from the second quarter of FY23, where personal income growth in Kentucky was 5.0 percent. Looking ahead to the first quarter of FY24, personal income growth is expected to moderate further, increasing 4.3 percent compared to the first quarter of FY23. Among the components of personal income, the wages and salaries component of personal income is expected to increase 5.4 percent in the final two quarters of FY23, compared to the same periods one year prior. Full year FY23 wages and salaries growth is expected to increase by a more robust 7.0 percent. Entering the first quarter of FY24, wages and salaries growth is expected to increase 3.5 percent. Total non-farm employment is expected to increase 1.3 percent in the second half of FY23, then fall 0.6 percent in the first quarter of FY24.

Summary of Second Quarter Tax Receipts

General Fund receipts grew 7.6 percent in the second quarter of FY23, doubling the rate of growth from the first quarter. Collections were $272.9 million more than FY22 totals with six of the major accounts increasing. The two largest taxes: sales and use and individual income, together accounted for nearly 80 percent of the increase, or $216.1 million. Year-to-date General Fund collections have grown 5.8 percent over last year, an impressive result given last year's annual growth rate of 15.9 percent. The official revenue estimate calls for growth of 3.4 percent in the current year and given year-to-date collections, revenues would need to grow 1.2 percent for the remainder of the fiscal year to meet the official estimate.

Road Fund receipts grew 7.3 percent in the just completed quarter, leaving the year-to-date growth at 3.4 percent. Receipts accelerated sharply in the second quarter after a lackluster first quarter in which collections declined 0.3 percent. Total receipts received in the second quarter were $419.8 million, which exceeded last year's second quarter total by $28.5 million with motor vehicle usage, motor fuels and motor vehicle operators' receipts accounting for nearly all the quarterly gains. The official Road Fund revenue estimate calls for a 2.7percent increase in revenues for the year. Based on year-to-date collections, revenues must grow 2.1 percent over the remainder of the year to meet the estimate.

Summary of the Economy for the Second Quarter of FY23

Real GDP rose by 0.4 percent in the second quarter of FY23. Real consumption rose by 2.0 percent and real exports rose by 5.7 percent. Meanwhile, real investment fell by 6.2 percent in the second quarter. Inflation remains high at 6.5 percent but has receded somewhat from the high 8.6 percent from the fourth quarter of FY22. US non-farm employment rose by 3.4 percent in the second quarter. US leisure and hospitality services employment grew the most among the supersectors with 6.4 percent growth in the second quarter. US personal income grew by 5.5 percent, boosted by 7.7 percent growth from dividends, interest, and rents income and by 6.9 percent growth from wages and salaries income.

Kentucky non-farm employment rose by 2.8 percent in the second quarter of FY23. Business services employment grew the fastest in the second quarter, growing 6.0 percent over the second quarter of FY22. Nine of the 11 supersectors experienced growth; only manufacturing and other services employment declined. They declined only slightly by 0.1 percent and 1.0 percent, respectively. Kentucky personal income grew by 5.0 percent in the second quarter. Wages and salaries income grew by 8.0 percent and dividends, interest, and rents income grew by 7.1 percent. Transfer receipts was the only declining income component, which fell by 1.4 percent in the second quarter of FY23 compared to the second quarter of FY22.

REVENUE & ECONOMIC OUTLOOK

GENERAL FUND OUTLOOK

The interim General Fund outlook presented below is identical to the official estimates prepared pursuant to KRS 48.115(2), the statute governing revised revenue estimates during periods between the normal KRS 48.120 process that occurs in odd-numbered years. At a meeting held on December 14, 2022 the CFG agreed upon the official General Fund estimates that are used in this revenue outlook. The December CFG estimates include General Fund forecast for FY23 and FY24. Since KRS 48.400(2) requires a three quarter outlook, the forecasting horizon used in this quarterly report is the remainder of FY23 and the first quarter of FY24.

During the December meeting, the CFG considered three different economic scenarios: a pessimistic forecast, a control or baseline forecast, and an optimistic scenario. A consensus was reached among the members that the optimistic forecast represented the most likely outcome for the national and state economies, and for the corresponding revenue forecasts. Therefore, forecasted revenues presented in Table 1 were projected using the "optimistic" economic forecasts from both S&P Global and the Kentucky MAK model providing the primary inputs as directed by the CFG.

As seen in Table 1, the December 2022 CFG estimate for the General Fund is $15,201.9 million, or $1,442.9 million greater than the enacted estimate from the 2022 legislative session. The new estimate represents a 3.4 percent increase over FY22. Both completed quarters of FY23 have exceeded the aggregate 3.4 percent growth needed for the entirety of FY23. The first quarter grew at 3.8 percent and the second quarter recorded growth of 7.6 percent. When the two quarters are combined, growth in the first half of FY23 computes to 5.8 percent, or $404.6 million more than the first half of FY22. When adjusting for a legal settlement received in September of FY22, General Fund receipts have risen 9.2 percent through the first six months of FY23. Revenues in the second half of the year need to increase by 1.2 percent, or $94.8 million, to achieve the new estimate.

The lower expectation for new revenue in the second half of FY23 is primarily a function of three factors: the reduction of the individual income tax rate beginning January 2023, the high base of comparison in the second half of FY22, and the economic forecasts. Revenue growth in the third quarter of FY22 was 9.0 percent, but the flood of new revenues occurred in the fourth quarter when General Fund revenues grew by 16.9 percent. During that quarter, individual income tax receipts grew 30.5 percent and generated $494.7 million more than the fourth quarter of FY21. Major business taxes, the corporation income tax and the limited liability entity tax (LLET), were 24.9 percent higher and produced $101.2 million in new revenue.

Table 1
General Fund Interim Forecast
$ millions

	FY23						FY24	
	Q1 & Q2		Q3 & Q4		Full Year		Q1	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	% Chg
Individual Income	2,761.3	8.6	3,072.5	-12.4	5,833.8	-3.5	1,346.9	-1.6
Sales & Use	2,766.1	10.5	2,923.3	14.2	5,689.4	12.4	1,472.6	5.4
Corp. Inc. & LLET	598.2	3.5	680.8	11.9	1,279.0	7.8	343.0	1.7
Property	516.3	7.9	243.1	-1.0	759.4	4.9	70.1	3.1
Lottery	163.8	6.8	173.2	22.3	337.0	14.2	76.5	2.0
Cigarettes	155.3	-6.4	148.5	-6.3	303.8	-6.4	77.6	-4.4
Coal Severance	46.7	54.3	42.2	4.5	88.9	25.8	11.0	-50.4
Other	429.8	-26.0	480.8	17.1	910.6	-8.2	210.3	1.5
General Fund	**7,437.4**	**5.8**	**7,764.5**	**1.2**	**15,201.9**	**3.4**	**3,608.0**	**1.4**

Economic growth in the second half of FY23 is expected to be weaker than growth in the first half of the fiscal year. For example, Kentucky wages and salaries growth in the first half of FY23 was 8.7 percent compared to the first half of FY22, while Kentucky wages and salaries growth in the second half of FY23 is expected to be 5.4 percent compared to the second half of the FY22. This reduction from the first half's 8.7 percent growth in wages and salaries growth has important ramifications for economic activity and state revenues in Kentucky. Wages and salaries are the primary driver for individual income tax receipts. In addition, wages and salaries affect the volume of economic transactions, which in turn impacts the sales tax.

Finally, the CFG deducted $301.9 million from the FY23 revenue estimates due to legislative actions, primarily House Bill 8 from the 2022 regular session of the General Assembly. The largest impact within House Bill 8 was the half-point reduction in the individual income tax, from 5 percent to 4.5 percent, effective January 1, 2023, resulting in a revenue loss of $291.5 million. An expansion of the sales tax base to include 34 new service categories also became effective on January 1, but the fiscal impact of the sales tax broadening only offset a small fraction of the income tax reduction.

Carrying the above analysis into the major tax accounts, individual income tax receipts grew 8.6 percent in the first half of FY23. The withholding component of the tax reported growth of 7.7 percent during that period. For the three aforementioned reasons, the income tax is expected to decline by 12.4 percent in the second half of FY23. The major drivers leading to the revenue decline in the individual income tax are the 10 percent cut in the individual income tax rate and the high base from FY22. Revenue growth in the individual income tax accounts was 17.3 percent in the third quarter of FY22 and 30.5 percent in the fourth quarter – two of the best quarters of income tax growth ever recorded. On the tax law side, the entire negative $291.5 million from the 0.5 percent rate reduction on the individual income tax effective January 1, 2023 will fall in the second half of FY23.

Sales and use tax collections during the first two quarters of FY23 were strong as well, posting an increase of 10.5 percent. This follows two full fiscal years of double-digit growth. Revenues from the sales and use account are forecasted to grow 14.2 percent during the second half of FY23 and end the year with a cumulative growth rate of 12.4 percent. Unlike the individual income tax, the tax law changes from House Bill 8 inure to the benefit of the sales tax account as the base has been broadened. Furthermore, the comparison quarters from FY22 are not as daunting as is the case with the individual income tax. Although the third quarter of FY23 will be compared to a big quarter of 14.3 percent growth from FY22, the fourth quarter of FY22 only grew 4.5 percent. The relatively slower pace of growth in the fourth quarter of FY22, coupled with the maturing collections associated with taxation of the 34 new service categories, creates the opportunity for a strong end to FY23.

Coming off a very strong revenue performance in FY22, the combined business taxes have begun to taper from the 34.4 percent growth from the prior fiscal year. Receipts from the first half of FY23 exceeded the receipts from the prior year by 3.5 percent. The outlook for the combined business taxes predicts a significant uptick in the second half of FY23, with receipts expected to increase by 11.9 percent. The FY23 cumulative total collections are projected to be $1,279.0 million, an increase of 7.8 percent, followed by marginal growth of 1.7 percent in the first quarter of FY24. Like the individual income tax, the FY22 growth in the third and fourth quarters is formidable. Combined business taxes grew 30.1 percent in the third quarter of FY22 followed by 24.9 percent in the fourth quarter – a feat all the more impressive considering the 38.1 percent annual increase in collections from FY21. There were no significant changes to combined business taxes arising from the 2022 legislative session, but the estimates do include some fiscal impacts from prior legislative sessions. Bills from prior sessions with delayed implementation dates need to be accounted for through adjustments outside the modeling process since the fiscal impacts are not built into the history of the tax receipts.

Total property tax receipts are projected to decline by 1.0 percent in the second half of FY23 following growth of 7.9 percent through the first six months of the fiscal year. The year-ending projection is $759.4 million, or 4.9 percent more than was collected in FY22. The mitigation of growth in the second half of FY23 does not follow the pattern of the sales tax or income taxes discussed above. Rather, the expected reduction to the pace of property tax receipts is attributable to current year collection patterns. Since a large percentage of the real and tangible property taxes are collected in the second and third quarters of any given fiscal year, timing fluctuations between the second and third quarters typically occur. Among the individual accounts within the aggregate property tax, FY23 growth is broadly based. The standout account is the property tax on motor vehicles with expected growth of 10.0 percent. Despite the freezing of the valuation of motor vehicles for tax years 2022 and 2023 at the 2021 assessed value by the Governor's Executive order 2022-096 and the passage of House Bill 6 in 2022, motor vehicle property taxes are expected to continue increasing as new vehicles were not covered in the Governor's Executive Order or House Bill 6.

However, purchases made after January 1, 2021 were assessed at the transaction price since assessments prior to freeze date were unavailable.

Lottery dividend payments are expected to end FY23 at $337.0 million. To achieve that level, lottery receipts must collectively equal $173.2 million in the last six months of the fiscal year. According to recent financial information received from the Kentucky Lottery Corporation, ticket sales for draw games and iLottery play are both running ahead of budgeted levels. Draw games have benefited from run-ups in the jackpots for Mega Millions and Powerball. On the flipside, instant tickets (otherwise known as scratch-offs) have run behind their projected share of lottery sales despite having record sales on or around the release of the new $50 tickets that became available earlier in the fiscal year.

Cigarette taxes were the only major account that registered a decline in FY22, falling $25.5 million or 7.3 percent. Cigarette taxes fell an additional 6.4 percent in the first half of FY23, with a continued downward drift of 6.3 percent expected in the remaining two quarters of FY23. The cigarette taxes are forecasted to end the year with a cumulative decline of 6.4 percent for FY23.

Coal severance tax receipts rose by a very robust rate of 54.3 percent in the first two quarters of FY23 with collections of $46.7 million. The outlook for the forecasting horizon in FY23 calls for a slower pace of growth, specifically 4.5 percent, compared to the second half of the prior fiscal year. Final FY23 growth is expected to be 25.8 percent. Following a sharp FY20 decline in coal severance tax receipts, collections narrowly declined at a rate of 4.7 in FY21 but grew by 31.1 percent in FY22. The recent momentum carried over into FY23 but is expected to cool somewhat in the second half of FY23 before a pronounced decline of 50.4 percent in the first quarter of FY24.

The "other" category contains 59 smaller accounts which make up the remainder of the General Fund. Insurance premiums tax, alcohol taxes, telecommunication taxes, inheritance taxes, and abandoned property receipts are the five largest ongoing accounts in the "other" category forecast. The "other" accounts totaled $991.5 million in FY22. Other revenues declined over the first half of FY23 by 26.0 percent due to the high base from the first six months of FY22. A $225 million one-time legal settlement posted in September 2021 as a miscellaneous receipt in the other category. Most accounts posted growth in the first half of FY23, but the progress in the other account was masked by the magnitude of the settlement. Each account was re-examined for the CFG process in December and the resulting forecast for the second half of FY23 sums to $480.8 million, a 17.1 percent improvement over the prior year. The single largest account contributing to the 17.1 percent growth is income on investments. In FY22, income on investments was only $0.6 million. The amount is expected to soar to $67.5 million in FY23, a level not seen in 25 years. The dramatic increase on the income on investments stems from prior year surpluses that get deposited into the State's "Rainy Day Fund". That fund is invested in a short-term pool. Given recent movements in interest rates, especially short rates, the

Commonwealth's income from investments is much higher income than in prior years.

ROAD FUND OUTLOOK

The January 2023 interim Road Fund forecast calls for accelerated growth in revenues over the second half of FY23 and continuing into the first quarter of FY24 when compared to the recent past. Unlike the General Fund estimates, the Road Fund was not revised at the December 2022 CFG meeting, so this interim outlook represents an unofficial interim outlook.

Collections in the Road Fund grew 2.0 percent for the entirety of FY22 and improved only slightly in the first half of FY23 with revenues increasing 3.4 percent. Going forward, collections are forecasted to increase 6.4 percent for the remainder of the year and slow only slightly in the first quarter of FY24. As is typically the case with the Road Fund, the drivers of growth are the two largest accounts – the motor fuels and motor vehicle usage taxes. Revenue collections will also be elevated by the economic assumptions underlying this forecast. Normally the quarterly report estimates are based on the control economic forecast; however, in this report, the forecast uses the optimistic assumptions. The departure from the normal treatment was taken since the CFG determined that the optimistic forecast was the most likely economic outcome when they met on December 14 to revise the General Fund.

Table 2
Road Fund Interim Forecast
$ millions

	FY23						FY23		FY24	
	Q1 & Q2		Q3 & Q4		Full Year		Official		Q1	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Motor Fuels	402.9	1.8	399.6	5.5	802.5	3.6	833.8	-31.3	213.6	6.7
Motor Vehicle Usage	318.8	3.8	342.9	6.5	661.7	5.2	603.7	58.0	174.1	3.9
Motor Vehicle License	42.3	7.1	84.9	0.9	127.2	2.9	119.4	7.9	22.9	3.8
Motor Vehicle Operators	14.3	20.9	17.5	4.9	31.8	11.6	27.1	4.7	2.7	6.1
Weight Distance	44.7	1.8	43.8	1.2	88.5	1.5	94.6	-6.1	23.3	4.1
Income on Investments	-0.3	NA	-1.7	NA	-2.0	-81.9	0.1	-2.1	0.5	-117.9
Other	19.9	7.0	27.8	12.6	47.7	10.2	42.4	5.3	11.0	3.2
Road Fund	**842.5**	**3.4**	**914.9**	**6.4**	**1,757.4**	**4.9**	**1,721.0**	**36.4**	**448.1**	**6.0**

Road Fund revenues grew 3.4 percent over the first two quarters of the fiscal year as all the major accounts increased. Income on investments was negative for the July – December period but was still greater than the -$1.4 million in the first half of the prior year.

Motor fuels tax collections grew 1.8 percent in the first half of the year. The modest growth was primarily due to the temporary freezing of the tax rate. Lower gasoline prices lead to an increase in consumption which allowed for an increase in revenues. Revenues are forecasted to increase in the final two quarters of the forecasting horizon as the freeze on the tax rate expires at the end of February, unless the General Assembly acts during the 2023 legislative session to extend the freeze.

Growth rates for this account are expected to be 5.5 percent over the rest of the current fiscal year and 6.7 percent in the first quarter of FY24.

Motor vehicle usage tax collections grew 3.8 percent in the first half of FY23. The rate of growth is expected to increase by 2.7 percentage points over the next two quarters before returning to a more modest level for the first quarter of FY24. Growth rates for the final six months of the current year and the first quarter of FY24 are forecasted to be 6.5 percent and 3.9 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 grow 0.9 percent in the final two quarters of FY23 before growing 3.8 percent in the first quarter of FY24. Motor vehicle operators' license revenues are projected to rise 4.9 percent for the remainder of the fiscal year and increase 6.1 percent in the first quarter of FY24. Investment income is expected to be -$1.7 million over the remainder of the fiscal year due to smaller cash balances available for investment as well as increasing interest rates which will adversely affect the market value of the portfolio. All other revenues will increase 12.6 percent during the last six months of the year and then increase 3.2 percent in the first quarter of FY24.

NATIONAL ECONOMIC OUTLOOK

The forecast of the national outlook used in this quarterly report is the S&P Global optimistic scenario for November 2022. This scenario from the November 2022 forecast was chosen to be consistent with the actions of the CFG in December 2022.

Various economic projections have questioned whether the US economy is currently in a recession or is entering a recession in the upcoming quarters. The economic forecast used in this report assumes that the answer to both questions is no. Using the traditional metric of two or more quarters of declining real GDP, neither the recent economic past nor the outlook over the forecasting horizon suggests two consecutive quarters of GDP decline. Beginning in the first quarter of FY23 and going through the forecasting horizon, the five rates of real GDP growth are 0.6, 0.3, -0.1, 0.1 and 0.3 percent, respectively. The only negative quarter in that span is the third quarter of FY23. This is weak growth historically. This weak growth in real GDP is expected to persist throughout the forecast horizon.

Another prevalent question involves the current rate of inflation and its effects on the domestic economy. As observed in Table 3, growth in the CPI for all goods (i.e., the rate of inflation) has come down since the third and fourth quarters of FY22 when inflation was 8.3 percent. The forecast calls for inflation of 4.6 percent for the final two quarters in FY23 before dropping further to 3.3 percent in the first quarter of FY24. While the rate of inflation has receded, the Federal Reserve remains hawkish as the level of inflation continues to exceed the Fed's long-term 2 percent goal for domestic price stability. The Federal Reserve is expected to further tighten monetary policy through balance sheet reductions and additional increases in the federal funds rate. The federal funds rate was raised from 0.25 percent in March 2022 up to 4.5 percent in mid-December 2022. A rising federal funds rate cascades throughout the entire array of consumer interest rates, including mortgage rates, automobile financing, and unsecured consumer credit instruments such as credit cards. Higher consumer debt costs lead to decreased demand for goods and services that are typically purchased over time, like new and existing homes or automobiles. Housing starts, for example, are expected to decline 25.7 percent in the third and fourth quarters of FY23.

Turning back to growth in real GDP and its components, real consumption is projected to increase 1.9 percent in the third and fourth quarters of FY23 and ease slightly to 1.7 percent annualized growth in the first quarter of FY24. Real consumption has been the primary engine of growth for the US economy since the end of the 2020 recession. However, real consumption is beginning to soften, due to higher inflation and interest rates. Real consumption grew by 2.0 percent in the second quarter of FY23, but that is expected to be the high-water mark for annualized growth during the forecasting horizon. According to S&P Global, the expected growth in real consumption is partially attributable to lower energy prices, which leads to less risk aversion and higher consumption, despite the headwind from inflation and interest rates.

Real investment is expected to decline sharply over the three-quarter forecast horizon, falling 8.0 percent in the final six months of FY23 followed by a further decline of 4.9 percent in the first quarter of FY24. Real investment spending is expected to lose an estimated $307.4 billion in the remainder of FY23, compared to the same two fiscal quarters one year prior. Rapidly increasing borrowing costs have lowered the internal rate of return on investments and slower growth in economic output has dampened business expectations regarding the need for enhanced production in the near-term.

Among the five components of real GDP, real exports are poised to grow the most in percentage terms, increasing 5.2 percent in the second half of FY23 compared to the same periods one year prior. Real exports rose 5.7 percent in the second quarter of FY23, where exports comprised approximately 13.0 percent of real GDP. Exports to Europe have stabilized somewhat since the exchange rate disparity has lessened as the Euro gains strength relative to the US dollar. Real exports remain below the pre-pandemic level. Real imports are now higher than they were in late 2019, reflecting the increased purchasing power of the dollar over that span of time. Strong domestic demand for goods and services will continue to underpin real imports. Notwithstanding these considerations, real imports (a deduction from real GDP) are expected to fall from an annualized value of $3,936.6 billion in the second half of FY22 to an annualized sum of $3,921.8 billion in the first quarter of FY24.

As alluded to above, US housing starts are expected to plummet 25.7 percent during the final two quarters of FY23. The jump in mortgage rates since late 2021 has largely contributed to the slowing in existing home sales. It has also put a damper on residential investment. Higher mortgage rates and increased underwriting scrutiny have dampened home affordability and paralyzed the housing markets.

One key element that has kept the economy afloat has been the rapid pace of job gains. The pace of job growth has remained strong through the first half of FY23, as US non-farm employment rose 3.4 percent in the second quarter of FY23. As the demand for domestic output wanes in the upcoming quarters, however, growth in employment should begin to slow as well. The demand for labor is derived from the demand for US goods and services, so as real GDP growth slows the demand for labor should weaken as well. US non-farm employment during the second half of FY23 is expected to grow at 1.5 percent, half the pace of the most recently completed quarter.

Shifting focus towards the sectoral employment analysis, the service-producing sectors continue to show more employment growth than the goods producing sectors. Growth in the service-providing sectors is expected to increase 1.7 percent in the final two quarters of FY23. Leisure and hospitality employment continues to expand, with 3.1 percent projected growth in the third and fourth quarters of FY23. The goods-producing sectors are expected to gain 200,000 net annualized jobs in the second half of FY23, or growth of 0.7 percent. Mining employment is forecasted to continue to be the growth leader in goods-producing sectors with an expected expansion of 3.7 percent over the remainder of FY23, but the mining sector is by far the smallest of all the employment supersectors.

US personal income is expected to increase 5.8 percent in the remainder of FY23. By way of comparison, US personal income grew 5.5 percent in the second quarter of FY23. The wages and salaries component, representing 51.4 percent of US personal income, is anticipated to continue its positive trajectory with a 5.6 percent increase in the third and fourth quarters of FY23. The projected uptick in personal income is also attributed to an increase in dividends, interest, and rents. This component of personal income, comprising 19.3 percent of total US personal income, is expected to increase 11.3 percent to close out FY23. The increase in interest rates has been instrumental in the growth of dividends, interest, and rents component of personal income. Personal income and its components are reported in nominal terms, so it is useful to compare the 5.8 percent personal income growth with the 4.6 percent rate of inflation expected over the same time period.

Table 3
US Economic Outlook
Interim Forecast

	Q3 & Q4			Full Year		Q1	
	FY23	**FY22**	**% chg**	**FY23**	**% chg**	**FY24**	**% chg**
Real GDP	20,066.0	19,909.7	0.8	20,058.1	0.9	20,136.6	0.6
Real Consumption	14,330.9	14,063.9	1.9	14,268.5	1.9	14,392.3	1.7
Real Investment	3,512.3	3,819.7	-8.0	3,572.9	-5.1	3,484.5	-4.9
Real Govt. Expenditures	3,446.5	3,386.4	1.8	3,427.4	0.8	3,458.5	1.7
Real Exports	2,605.0	2,476.9	5.2	2,604.6	6.8	2,637.4	1.3
Real Imports	3,918.7	3,936.6	-0.5	3,901.4	2.4	3,921.8	1.1
CPI all goods (% chg)	4.6	8.3	NA	6.0	NA	3.3	NA
CPI Food (% chg)	7.5	8.9	NA	9.1	NA	4.1	NA
CPI Energy (% chg)	-2.0	31.9	NA	9.3	NA	-6.9	NA
CPI Core (% chg)	5.2	6.2	NA	5.7	NA	4.2	NA
Industrial Production Index (% chg)	1.0	4.7	NA	2.6	NA	-0.3	NA
Unemployment Rate (%)	4.1	3.7	NA	3.8	NA	5.0	NA
Housing Starts (millions, NSA)	1.3	1.7	-25.7	1.3	-19.1	1.2	-18.3

Table 4
US Labor and Income Outlook
Interim Forecast

	Q3 & Q4			Full Year		Q1	
	FY23	**FY22**	**% chg**	**FY23**	**% chg**	**FY24**	**% chg**
Non-farm Employment (millions, NSA)	153.2	151.0	1.5	153.2	2.6	152.0	-0.5
Goods-producing	21.1	20.9	0.7	21.2	2.2	20.7	-2.3
Construction	7.6	7.6	0.1	7.7	1.8	7.5	-2.9
Mining	0.6	0.6	3.7	0.6	6.3	0.6	1.2
Manufacturing	12.8	12.7	0.9	12.9	2.2	12.6	-2.1
Service-providing	109.7	107.9	1.7	109.6	2.9	108.7	-0.5
Trade, Transportation & Utilities	28.7	28.6	0.3	28.7	1.7	28.3	-1.8
Information	3.0	3.0	2.8	3.0	4.5	3.0	-1.3
Finance	8.9	8.9	-0.1	8.9	0.9	8.8	-1.9
Business Services	22.3	22.1	0.9	22.4	2.7	21.4	-4.5
Educational Services	25.1	24.2	3.9	24.9	3.9	25.1	2.1
Leisure and Hospitality Services	16.0	15.5	3.1	15.9	5.4	16.4	4.3
Other Services	5.7	5.7	1.0	5.7	2.1	5.7	0.3
Government	22.5	22.2	1.4	22.4	1.3	22.6	1.2
Personal Income ($ billions, AR)	22,723.4	21,472.7	5.8	22,425.0	5.4	23,093.3	5.4
Wages and Salaries	11,630.0	11,017.0	5.6	11,513.9	6.6	11,758.4	4.0
Transfer Receipts	4,003.8	3,876.0	3.3	3,963.7	0.2	4,063.7	4.7
Dividends, Interest, and Rents	4,515.2	4,056.8	11.3	4,375.7	9.0	4,640.3	11.3
Supplements to Wages and Salaries	2,464.1	2,347.4	5.0	2,435.6	5.3	2,490.0	4.2
Proprietors' Income	1,853.9	1,823.4	1.7	1,858.9	2.9	1,900.8	2.2
Social Insurance	1,743.5	1,647.8	5.8	1,722.8	6.9	1,760.0	4.2
Residence Adjustment	0.0	0.0	NA	0.0	NA	0.0	NA

KENTUCKY ECONOMIC OUTLOOK

The Kentucky labor and income outlook presented in Table 5 was also prepared using the November 2022 economic forecast from both S&P Global and the Kentucky MAK model. The economic estimates correspond to the official estimates agreed upon by the CFG at the December 2022 meeting. Kentucky's MAK model uses variables from the national outlook to forecast Kentucky income by components and employment by supersectors.

The outlook for personal income projects positive nominal growth in the second half of FY23 with an increase of 4.7 percent compared to the third and fourth quarters of FY22. That is a slight reduction from the second quarter of FY23, where personal income growth in Kentucky was 5.0 percent. Looking ahead to the first quarter of FY24, personal income growth is expected to moderate slightly, increasing 4.3 percent compared to the first quarter of FY23. Among the components of personal income, wages and salaries is positioned to increase 5.4 percent in the final two quarters of FY23, compared to the same periods one year prior. Full year FY23 wages and salaries growth is expected to increase by a more robust 7.0 percent. Entering the first quarter of FY24, wages and salaries growth is expected to increase 3.5 percent. Total non-farm employment is expected to increase 1.3 percent in the second half of FY23, then fall 0.6 percent in the first quarter of FY24.

Personal income for the US and Kentucky level are reported in nominal instead of real terms, meaning personal income and its component parts have not been adjusted for inflation. For FY23, the rate of inflation is projected to be 6.0 percent. The forecast for total personal income growth in FY23 is 4.6 percent, indicating that the increase in personal income is not keeping up with the pace of inflation. Wages and salaries, with expected FY23 growth of 7.0 percent, exceeds the rate of inflation. The dividends, interest, and rents component of Kentucky personal income is also projected to outpace the rate of inflation, with expected FY23 growth of 8.4 percent. The remaining components, which represent the remaining 44.6 percent of Kentucky personal income, are all expected to lag the rate of inflation. The largest remaining component is transfer payments, which is projected to decline by 1.2 percent in FY23.

Kentucky non-farm employment is projected to increase by 1.3 percent in the third and fourth quarters of FY23, compared to the same periods in FY22. State-level employment gains are expected to slightly lag the corresponding national average for the remaining quarters of the fiscal year. Of the 11 Kentucky supersectors, eight are expected to experience varying degrees of employment gains over the final two quarters of FY23. In percentage and absolute terms, the service-producing group is poised to experience the most pronounced employment expansion, an increase of 1.3 percent for the remainder of the fiscal year for an annual increase of 17,500 jobs. Educational services employment will add more jobs than any other supersector over the next six months.

Entering the first quarter of FY24, the outlook for growth in Kentucky non-farm employment is anticipated to turn negative. Eight of the 11 supersectors are expected to experience varying degrees of employment losses in the first quarter of FY24, compared to that of the first quarter of FY23. In absolute terms, the service-providing group is anticipated to experience the deepest decline, with a loss of 12,800 annual jobs compared to one year prior. Business services employment accounts for 84 percent of the expected decline in the service-providing sector. In percentage terms, the goods-producing sector is anticipated to experience the largest decline with a 2.4 percent employment reduction compared to the first quarter of FY23. Manufacturing employment accounts for 83 percent of the expected decline in the goods-producing sector.

Table 5
KY Labor and Income Outlook
Interim Forecast

	Q3 & Q4			Full Year		Q1	
	FY23	FY22	% chg	FY23	% chg	FY24	% chg
Non-farm Employment (thousands, NSA)	1,964.0	1,939.4	1.3	1,965.2	2.2	1,950.9	-0.6
Goods-producing	326.8	326.1	0.2	328.7	0.4	324.1	-2.4
Construction	79.4	77.9	1.9	79.6	1.7	78.4	-1.5
Mining	7.6	7.6	0.7	7.7	1.7	7.5	-1.9
Manufacturing	239.7	240.6	-0.4	241.4	-0.1	238.2	-2.7
Service-providing	1,331.9	1,314.5	1.3	1,333.4	2.7	1,319.8	-1.0
Trade, Transportation & Utilities	424.1	423.2	0.2	425.4	1.6	418.7	-1.6
Information	21.8	21.7	0.6	21.8	2.3	21.9	-0.7
Finance	96.1	96.4	-0.3	96.6	0.6	95.2	-2.2
Business Services	230.5	228.4	0.9	231.4	3.3	220.9	-4.6
Educational Services	295.6	285.5	3.5	294.2	3.7	294.1	0.9
Leisure and Hospitality Services	201.9	197.0	2.5	201.8	5.1	207.2	2.6
Other Services	61.9	62.3	-0.5	62.2	-0.7	61.8	-1.2
Government	305.3	298.8	2.2	303.1	1.8	307.0	2.8
Personal Income ($ billions, AR)	243.5	232.4	4.7	240.9	4.6	246.5	4.3
Wages and Salaries	118.7	112.6	5.4	117.6	7.0	119.7	3.5
Transfer Receipts	62.2	61.6	1.0	61.9	-1.2	62.8	2.8
Dividends, Interest, and Rents	40.0	36.2	10.7	38.9	8.4	41.1	10.6
Supplements to Wages and Salaries	29.8	28.3	5.1	29.4	5.9	30.1	4.2
Proprietors' Income	16.8	16.6	1.0	16.8	3.1	17.2	2.0
Social Insurance	19.7	18.7	5.4	19.5	7.0	19.9	3.9
Residence Adjustment	-4.3	-4.1	NA	-4.2	NA	-4.4	NA

REVENUE RECEIPTS

GENERAL FUND
Second Quarter FY23

General Fund receipts grew 7.6 percent in the second quarter of FY23, doubling the rate of growth from the first quarter. Year-to-date collections now stand at 5.8 percent, an impressive result given last year's gaudy annual growth of 14.6 percent. Collections in the just completed quarter totaled $3,880.8 million compared to $3,607.9 million in the second quarter of FY22. The official General Fund revenue estimate, revised in December 2022, calls for revenue growth of 3.4 percent compared to FY22 receipts. General Fund revenues need to grow 1.2 percent for the remainder of the fiscal year to meet the official estimate.

Second quarter collections increased $272.9 million over FY22 totals. Six of the eight major accounts saw increases in collections over the prior year. However, the bulk of those gains came from the two largest taxes, individual income and sales and use. Together, they accounted for nearly 80 percent of the increase, or $216.1 million. Additionally, property taxes and "other" receipts rose a collective $78.8 million. The remaining revenue sources declined $22.0 million. Collections for the major revenue categories are shown in Table 6. Detailed information on all tax accounts can be found in the Appendix.

Table 6
Summary General Fund Receipts
$ millions

	FY23 Q2	FY22 Q2	Diff $	Diff %
Individual Income	1,392.4	1,279.8	112.6	8.8
Sales & Use	1,369.0	1,265.4	103.5	8.2
Corp. Inc. & LLET	261.0	287.3	-26.3	-9.2
Property	448.3	415.4	33.0	7.9
Lottery	88.8	83.8	4.9	5.9
Cigarettes	24.6	17.4	7.2	41.0
Coal Severance	74.1	81.9	-7.8	-9.5
Other	222.7	176.8	45.8	25.9
Total	**3,880.8**	**3,607.9**	**272.9**	**7.6**

Individual income tax receipts were $1,392.4 million in the second quarter of FY23, an increase of 8.8 percent, or $112.6 million. This compares to $1,279.8 million that was received in the second quarter of FY22. Withholding made up the largest share of the gains in the individual income tax, growing $91.2 million, or 7.5 percent, in the second quarter of FY23. The remaining accounts rose $21.4 million with net returns increasing $20.1 million, declarations increasing $2.2 million and fiduciary falling $850,000.

Sales and use receipts rose 8.2 percent in the quarter after growing 12.8 percent in the first quarter. Receipts were $1,369.0 million, $103.5 million more than collected last year. Year-to-date revenues in this account have grown 10.5 percent.

Corporate and LLET receipts decreased 9.2 percent, or $26.3 million, in the second quarter as both taxes suffered declines. Year-to-date corporate and LLET collections have increased 3.5 percent over prior year totals.

Property tax receipts rose by 7.9 percent or $33.0 million in the second quarter. Growth in tangible and public service collections accounted for $27.2 million of the total increase. Property tax receipts fluctuate considerably from quarter to quarter because billing timing varies from year to year. It is best to measure the health of property tax receipts in February once all bills have gone out and taxpayers have had sufficient time to make their payments. Year-to-date property tax receipts have grown 7.9 percent over FY22.

Lottery receipts rose 5.9 percent to $88.8 million in the second quarter. Year-to-date collections in this account have grown 6.8 percent.

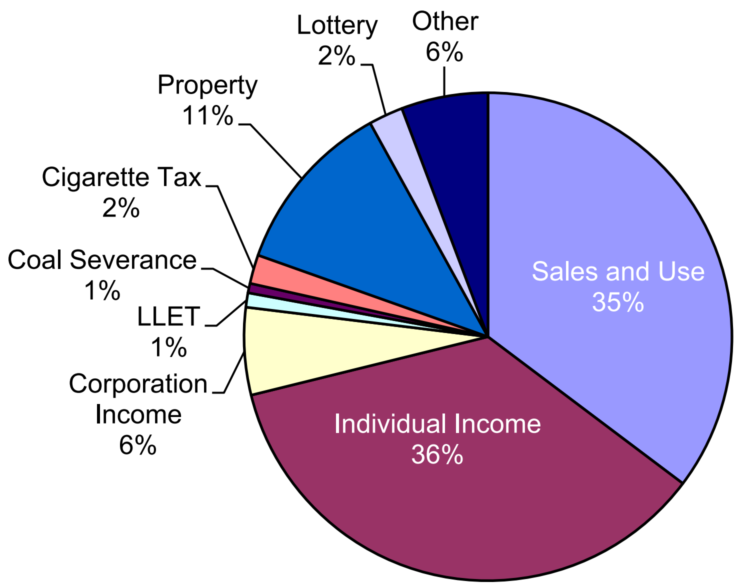
Cigarettes receipts fell 9.5 percent, or $7.8 million, in the just completed quarter. Year-to-date collections in this account have decreased 6.4 percent.

Coal severance receipts grew 41.0 percent in the second quarter, the fourth consecutive quarterly increase in excess of 40 percent. Year-to-date collections have increased 54.3 percent.

The "other" category, which is composed of numerous smaller accounts, increased 25.9 percent in the second quarter. Quarterly receipts were $222.7 million. This is $45.8 million more than was received in the same quarter of FY22. Income on investments accounted for $25.1 million of the gains.

Figure 1 shows the composition of General Fund revenues by tax type for the second quarter of FY23. Individual income tax and sales and use tax together make up 71 percent of General Fund tax receipts. The next largest sources of revenue were the property taxes, which made up 11 percent of total receipts. Corporate and LLET combined account for seven percent of receipts while the "other" category makes up six percent of receipts. Cigarette taxes and lottery receipts each contribute two percent while coal severance accounts for one percent.

Figure 1
Composition of Second Quarter FY23
General Fund Revenues



ROAD FUND
Second Quarter FY23

Total Road Fund receipts grew 7.3 percent during the second quarter of FY23, leaving the year-to-date growth at 3.4 percent. Receipts in the just completed quarter accelerated sharply after a lackluster first quarter in which collections declined 0.3 percent. Revenues were strong in each of the last three months, increasing between 6.2 percent and 9.0 percent.

Total receipts received in the second quarter were $419.8 million, which exceeded last year's second quarter total by $28.5 million. Motor vehicle usage, motor fuels and motor vehicle operators' receipts accounted for nearly all the quarterly gains, increasing $23.8 million compared to FY22 totals. The remaining accounts collectively grew by $4.7 million with none of the accounts declining. The "other" receipts, however, were flat.

The official Road Fund revenue estimate enacted by the General Assembly in the 2022 legislative session calls for a 2.7 percent increase in revenues for the year. Based on year-to-date collections, revenues must grow 2.1 percent for the remainder of the year to meet the estimate. Summary data are contained in Table 7 and detailed data are shown in the Appendix.

Table 7 Summary Road Fund Receipts $ millions				
	FY23 Q2	FY22 Q2	Diff $	Diff %
Motor Fuels	202.8	194.4	8.4	4.3
Motor Vehicle Usage	151.2	143.0	8.2	5.7
Motor Vehicle License	20.2	19.8	0.5	2.4
Motor Vehicle Operators'	11.7	4.4	7.3	163.9
Weight Distance	22.3	22.1	0.2	0.7
Income on Investments	2.5	-1.5	4.0	NA
Other	9.2	9.2	0.0	0.4
Total	**419.8**	**391.3**	**28.5**	**7.3**

Motor fuels tax receipts rose 4.3 percent, or $8.4 million, during the second quarter after falling 0.7 percent in the first quarter. Favorable gasoline prices spurred consumption, leading to an increase in collections. Receipts for the quarter were $202.8 million as compared to $194.4 million collected during the second quarter last year. Year-to-date collections have increased 1.8 percent.

Motor vehicle usage tax receipts growth also improved relative to the first quarter. Revenues rose 5.7 percent after increasing 2.2 percent in the first three months. For the quarter, revenues were $151.2 million, an increase of $8.2 million over FY22 totals. Revenues in this account have now increased 3.8 percent through the first six months of FY23.

Motor vehicle license tax receipts growth slowed considerably in the second quarter, growing 2.4 percent after increasing 11.9 percent in the first quarter. Collections for the quarter were $20.2 million. Year-to-date revenues in this account are up 7.1 percent.

Motor vehicle operators' tax receipts were $11.7 million in the second quarter, a 163.9 percent increase compared to collections a year ago. A timing issue in collections had the effect of shifting some first quarter revenue into the second quarter. Year-to-date collections have grown 20.9 percent.

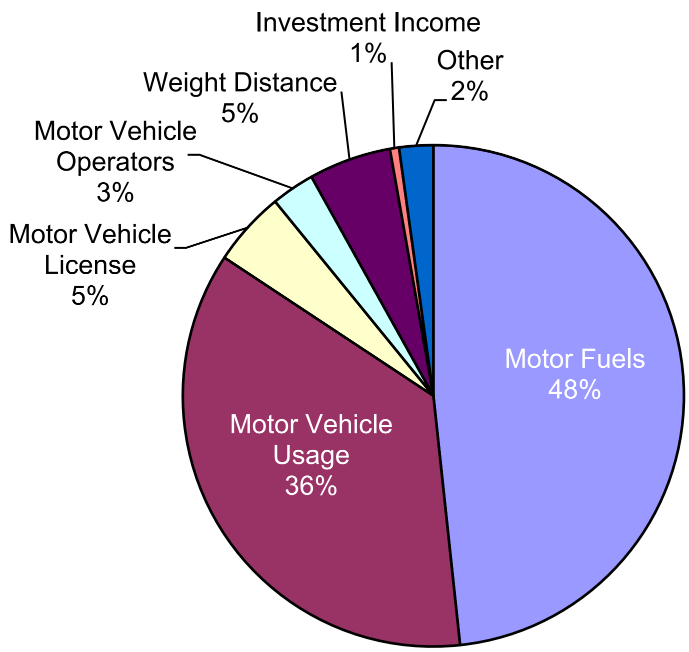
Weight distance tax receipts were $22.3 million in the second quarter and represent a 0.7 percent increase compared to receipts collected during the second quarter of FY22. The weight distance tax has some significance as a leading indicator of economic activity, as it is a rough proxy for goods in transit over Kentucky highways. Through the first six months of FY23, receipts have grown 1.8 percent.

Income on investments was $2.5 million in the second quarter compared to -$1.5 million last year. Year-to-date collections in this account stand at -$325,000 as smaller cash balances available for investment and increasing interest rates have adversely affected the market value of the portfolio.

The remainder of the accounts in the Road Fund are grouped in the "other" category and consist primarily of fines, fees and miscellaneous receipts. These funds combined to total $9.2 million which is unchanged from FY22 levels.

Figure 2 shows the composition of Road Fund revenues by tax type in the second quarter. The motor fuels tax and the motor vehicle usage tax are by far the largest components of the Road Fund. Together, they combined for 84 percent of Road Fund revenues in the second quarter. The next largest sources of revenue were the weight distance and motor vehicle license taxes at five percent each. The motor vehicle operators comprised three percent of the total while the "other" category accounted for two percent and investment income totaled one percent.

Figure 2
Composition of Second Quarter FY23
Road Fund Revenues



THE ECONOMY
SECOND QUARTER FY23

NATIONAL ECONOMY

Real gross domestic product (real GDP) rose by 0.4 percent in the second quarter of FY23. The last six adjacent-quarter growth rates are: 0.7, 1.7, -0.4, -0.1, 0.6, and 0.3 percent, respectively. It is adjacent-quarter growth rates that are used to determine recessions and expansions. The rule of thumb definition for a recession is two consecutive declines in adjacent-quarter real GDP. The two declines in real GDP in the third and fourth quarters of FY22 have not been officially declared a recession by the National Bureau of Economic Research. Real GDP in the second quarter of FY23 was kept positive by modest growth in real consumption and real government expenditures.

Real consumption grew by 2.0 percent in the second quarter of FY23. The last six adjacent-quarter growth rates are: 0.7, 0.8, 0.3, 0.5, 0.4, and 0.8 percent, respectively. There have been 10 consecutive positive adjacent-quarter growth rates since the end of the 2020 recession. Real consumption during this expansion period has been higher than during the last expansion period. The average adjacent-quarter growth rate in the expansion period following the 2007 recession is 0.6 percent. The average adjacent-quarter growth rate in the expansion period following the 2020 recession is 1.9 percent. Real consumption made up 71.0 percent of real GDP in the second quarter of FY23.

Real investment declined by 6.2 percent in the second quarter of FY23. The last six adjacent-quarter growth rates are: 2.5, 7.2, 1.3, -3.7, -2.2, and -1.7 percent, respectively. Real investment has been on quite the rollercoaster since the 2020 recession. Real investment peaked in the first quarter of FY20 at $3.5 trillion. Then it hit its trough at the end of the recession in the fourth quarter of FY20 at $2.8 trillion. Following the recession, real investment grew to a new local peak in the third quarter of FY22 at $3.9 trillion. Real investment has fallen for the last three consecutive quarters and is at $3.6 trillion. That is an amount above the previous recession peak, but well below the most recent peak. Real investment has been largely acyclical with some procyclical tendencies for the last two decades. Real investment made up 17.9 percent of real GDP in the second quarter of FY23.

Real government expenditures increased by 0.1 percent in the second quarter of FY23. The last six adjacent-quarter growth rates are: -0.04, -0.2, -0.6, -0.4, 0.6, and 0.5 percent, respectively. With the exception of the period between the fourth quarter of FY10 and the third quarter of FY14, when real government expenditures declined by a net 9.2 percent, real government expenditures have been largely acyclical with a strong monotonic-increasing trend for well over two decades. Since the end of the 2020 recession, real government expenditures have been essentially flat, remaining at $3.4 trillion. Real government expenditures made up 17.0 percent of real GDP in the second quarter of FY23.

Total US outlays declined 1.3 percent in the second quarter of FY23. The last six adjacent-quarter growth rates are: -12.3, -9.4, -3.1, 0.7, 1.9, and -0.8 percent, respectively. Prior to the 2020 recession, US outlays had hovered around $4.8 trillion for many quarters. The three stimulus legislation packages (CARES Act in April 2020, Tax Relief Act of 2020 in December 2020, and American Rescue Plan in March 2021) combined created $5.7 trillion in new spending by the federal government; the majority of which was sent out to private citizens in the form of stimulus checks. These stimulus checks greatly inflated the Federal Transfer Payments to Resident Persons outlay, which was by far the largest affected outlay. Total US outlays increased to $8.9 trillion in the fourth quarter of FY20. Outlays fell for the next two quarters, then rose. By the third quarter of FY21, outlays had risen back to $8.2 trillion. For the next seven quarters, outlays declined. By third quarter of FY22, outlays have fallen to $5.9 trillion. Over the next two quarters, outlays increased again to $6.0 trillion, where it also resides in the second quarter of FY23. While total outlays have fallen from the peak right after stimulus bills, it is still $1.2 trillion, or 23.0 percent, above its pre-recession level. Outlays are the true measure of federal government spending, as they take into account all forms of government spending, whereas real government expenditures do not.

Real exports rose 5.7 percent in the second quarter of FY23. The last six adjacent-quarter growth rates are: -0.3, 5.4, -1.2, 3.3, 3.4, and 0.1 percent, respectively. Real exports are largely a function of the incomes and demands of our trading partners. Real export receipts are also dependent upon exchange rates and the purchasing power of the purchasing country's currency (which is related to inflation). Real exports in the second quarter of FY23 are $33.3 billion, or 1.3 percent, above pre-recession levels. Real exports made up 13.0 percent of real GDP in the second quarter of FY23.

Real imports rose 3.4 percent in the second quarter of FY23. The last six adjacent-quarter growth rates are: 1.6, 4.4, 4.3, 0.6, -1.8, and 0.4 percent, respectively. Real imports are a function of US incomes and US consumption preferences. It is fair to say that US consumption patterns have changed considerably in the last 2.5 years, due to the covid lockdowns, work-from-home policies, and mandatory mask requirements. US consumers now consume far more home computers, office desks, and paper masks, than they did prior to December 2019. Many of our trading partners specialize in the production and export of these products, and that has caused our real imports of those goods to increase relative to domestic purchases. Real imports in the second quarter of FY23 are $486.3 billion, or 14.3 percent, above pre-recession levels. Real imports, a deduction from real GDP, made up 19.4 percent of real GDP in the second quarter of FY23.

The change in the CPI for all goods, which is inflation, increased to 6.5 percent in the second quarter of FY23. This is a solid decline from the 8.6 percent inflation in the fourth quarter of FY22. Inflation is caused by an increase in the money supply.

Between April 2020 and March 2021, the federal government increased the money supply, M1, by over $5.7 trillion. In the third quarter of FY20, just prior to the money supply increase, the CPI for all goods was 2.58 percent, and goods inflation was 2.0 percent. By the fourth quarter of FY22, when all the stimulus checks had been sent out, the CPI for all goods was 2.92 percent, and goods inflation was 8.6 percent. That is a net increase in goods prices of 13.2 percent in a nine-quarter period. The change in the CPI for just food, that is, food inflation, was 10.1 percent in the second quarter of FY23. Food inflation has been above 10 percent for three consecutive quarters now. The change in the CPI for energy, or energy inflation, was 15.5 percent in the second quarter of FY23. This has fallen considerably since the fourth quarter of FY22 when energy inflation was 35.4 percent. The CPI for energy has increased a net 63.5 percent since the fourth quarter of FY20.

The working population increased by a modest 1.0 percent in the second quarter of FY23 compared to the second quarter of FY22. Quarterly growth has been small for nearly five years. In fact, with the exception of one quarter, adjacent-quarter growth rates have been between -0.1 percent and 0.2 percent for the last five years. See Table 8 and the Glossary for identification of terms. The civilian labor force, or just labor force, rose 1.6 percent in the second quarter of FY23. The lockdowns in the first half of FY20 had a significant impact on the labor force and labor force participation rate. Following several quarters of significant declines in the labor force, the labor force has now finally recovered to its pre-recession level, 164 million. The labor force is made up of persons who are employed and unemployed. This mix of the two statuses has moved favorably in five of the last seven quarters. That is, employed has increased and unemployed has decreased in those five quarters. Employed is up 2.2 percent in the second quarter of FY23 compared to the second quarter in FY22, while unemployed is down 14.0 percent in the second quarter of FY23 compared to the second quarter of FY22. Those Not in the Labor Force has risen to near an all-time high, at 100.3 million persons. The record for Not in the Labor Force occurred in the third quarter of FY21 with 101.0 million persons. The Labor Force Participation Rate has fallen to 62.2 percent in the second quarter of FY23. It has been below 63.0 percent since 2014. Historically, this rate has been above 66.0 percent for most of its existence.

US non-farm employment rose 3.4 percent in the second quarter of FY23. This is the tenth consecutive increase in non-farm employment. US non-farm employment rose above its pre-recession peak in the fourth quarter of FY22. It is now 2.1 million jobs above its pre-recession peak. US leisure and hospitality continues to prosper as hotels and recreation facilities reopen following the lockdowns and closures. US leisure and hospitality services employment grew by 6.4 percent in the second quarter of FY23, a net increase of 1.0 million jobs since the second quarter of FY22. Educational services employment increased by 4.3 percent in the second quarter of FY23, also a net increase of 1.0 million jobs since the second quarter of FY22. All 11 supersectors experienced an increase in employment in the second quarter of FY23 compared to a year earlier.

US personal income grew by 5.5 percent in the second quarter of FY23. US personal income has increased on an adjacent-quarter basis, for the last six consecutive quarters. The income series are all nominal. That is, they are not adjusted for inflation. The high inflation during 2021 and 2022 makes it difficult to compare economic growth rates even within the income components. Therefore, it is useful to compare each income component to its level prior to the 2020 recession, to create a benchmark for growth among the component series. Total personal income grew a net 18.5 percent in the second quarter of FY23 compared to the second quarter of FY20. Transfer receipts income grew the most during that time at 25.1 percent net growth. Wages and salaries income grew the second most during that time with 21.3 percent net growth. Proprietors' income was next with 14.5 percent net growth during that time, supplemental income grew 13.1 percent, and dividends, interests and rents grew 11.4 percent. Obviously, the shares changed considerably due to these diverse growth rates in the last three years. Transfer receipts income changed the most going from 16.8 percent share of total personal income in the second quarter of FY20 to 17.8 percent in the second quarter of FY23. Wages and salaries income also rose from 50.3 percent in the second quarter of FY20 to 51.4 percent in the second quarter of FY23. The other three components lost shares relative to personal income.

Table 8
History of US Economic Variables

	FY22						FY23			
	Q2	% chg	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg
Real GDP ($ billions, AR)	20,006.2	5.7	19,924.1	3.7	19,895.3	1.8	20,021.7	1.8	20,078.6	0.4
Real Consumption	13,981.5	7.2	14,028.4	4.8	14,099.5	2.4	14,149.0	2.0	14,263.1	2.0
Real Investment	3,841.8	8.6	3,892.5	11.6	3,747.0	7.2	3,665.2	2.3	3,601.7	-6.2
Real Government Expenditures	3,412.9	0.5	3,393.4	-1.6	3,379.5	-1.3	3,399.8	-0.6	3,416.9	0.1
Real Exports	2,465.7	6.5	2,436.9	5.2	2,516.9	7.3	2,603.2	11.3	2,605.2	5.7
Real Imports	3,763.3	10.1	3,925.6	12.7	3,947.5	11.2	3,877.2	7.5	3,891.0	3.4
CPI - All Goods (% chg)	6.7	NA	8.0	NA	8.6	NA	8.3	NA	6.5	NA
CPI - Food (% chg)	5.9	NA	7.9	NA	10.0	NA	11.2	NA	10.1	NA
CPI - Energy (% chg)	30.7	NA	28.4	NA	35.4	NA	25.5	NA	15.5	NA
Core CPI (% chg)	5.0	NA	6.3	NA	6.0	NA	6.3	NA	6.0	NA
Industrial Prod. Index (% chg)	4.5	NA	4.8	NA	4.5	NA	4.4	NA	3.9	NA
Working Population (millions, NSA)	262.0	0.4	263.3	0.9	263.7	0.9	264.2	1.0	264.7	1.0
Civilian Labor Force	161.9	0.9	163.6	2.3	164.2	2.0	164.9	1.8	164.4	1.6
Employed	155.5	3.6	156.9	5.0	158.4	4.4	158.9	3.5	158.9	2.2
Unemployed	6.4	-38.8	6.7	-35.5	5.8	-37.9	6.0	-28.5	5.5	-14.0
Not in Labor Force	100.1	-0.4	99.7	-1.3	99.5	-0.7	99.3	-0.4	100.3	0.1
Labor Force Participation Rate (%)	61.8	NA	62.3	NA	62.3	NA	62.3	NA	62.2	NA
Unemployment Rate (%)	4.2	NA	3.8	NA	3.6	NA	3.5	NA	3.5	NA
Housing Starts (millions, AR)	1.7	6.7	1.7	8.8	1.6	3.5	1.5	-6.9	1.4	-17.4

Table 9
US Federal Outlays
$ billions, AR

	Second Quarter			
	FY23	FY22	Chg	% Chg
Federal Outlays excl. Gross Investment	5,998.0	6,079.8	-81.8	-1.3
National Defense	744.7	710.3	34.5	4.9
Non-Defense Consumption	547.7	533.4	14.3	2.7
Federal Transfer Payments to Resident Persons	2,841.6	2,937.4	-95.8	-3.3
Medicare	928.8	900.0	28.8	3.2
Social Security	1,222.5	1,126.5	96.0	8.5
Social Insurance to Rest of the World	32.0	27.0	5.0	18.6
Grants-in-Aid to State & Local Govts	913.2	924.7	-11.5	-1.2
Medicaid	597.0	553.9	43.1	7.8
Non-Medicaid Grants to State & Local Govts	316.3	370.9	-54.6	-14.7
Aid to Foreign Govts	50.0	58.3	-8.3	-14.2
Interest on the Debt	756.7	600.4	156.3	26.0
Subsidies	112.0	288.3	-176.3	-61.2

Table 10
History of US Labor and Income Data

	FY22						FY23			
	Q2	% chg	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg
Non-farm Employment (millions, NSA)	148.6	4.3	150.4	4.6	151.6	4.4	152.7	4.0	153.7	3.4
Goods-producing	20.6	2.8	20.8	3.5	21.0	4.1	21.2	4.1	21.3	3.3
Mining	0.6	5.2	0.6	9.5	0.6	10.8	0.6	10.4	0.6	7.9
Construction	7.5	2.4	7.6	3.2	7.6	3.6	7.7	4.0	7.7	3.0
Manufacturing	12.5	2.9	12.6	3.3	12.8	4.1	12.9	3.9	12.9	3.3
Service-providing	105.9	5.2	107.4	5.5	108.3	5.2	109.2	4.6	110.0	3.9
Trade, Transportation & Utilities	28.1	3.8	28.5	4.0	28.7	4.0	28.8	3.5	28.9	2.8
Information	2.9	7.1	2.9	6.1	3.0	6.4	3.0	6.0	3.1	6.4
Finance	8.8	1.5	8.9	1.8	8.9	2.3	9.0	2.1	9.0	1.7
Business Services	21.7	5.8	22.0	5.2	22.2	5.7	22.4	5.2	22.6	3.9
Educational Services	23.9	2.4	24.1	2.6	24.3	2.8	24.6	3.6	24.9	4.3
Leisure and Hospitality Services	14.9	14.3	15.4	16.5	15.6	12.7	15.8	9.3	15.9	6.4
Other Services	5.6	4.7	5.6	5.6	5.7	5.1	5.7	3.8	5.7	2.9
Government	22.1	1.8	22.2	1.6	22.2	1.0	22.3	1.0	22.4	1.2
Personal Income ($ billions, AR)	21,162.1	6.9	21,319.8	-3.5	21,625.5	3.4	21,916.8	4.3	22,336.5	5.5
Wages and Salaries	10,748.4	9.9	10,925.5	10.9	11,108.4	9.6	11,307.0	8.5	11,488.9	6.9
Transfer Receipts	3,925.7	4.1	3,868.7	-35.8	3,883.2	-11.4	3,882.0	-6.2	3,965.2	1.0
Dividends, Interest, and Rents	3,998.1	4.3	4,014.7	4.2	4,098.9	4.8	4,167.5	5.6	4,305.1	7.7
Supplements to Wages and Salaries	2,296.0	4.9	2,334.2	5.8	2,360.5	5.8	2,389.6	5.8	2,424.4	5.6
Proprietors' Income	1,789.8	5.2	1,811.4	9.5	1,835.4	3.3	1,859.5	3.7	1,868.4	4.4
Social Insurance	1,595.8	7.7	1,634.7	9.6	1,660.9	9.1	1,688.8	8.7	1,715.5	7.5
Residential Adjustment	0.0	NA	0.0	NA	0.0	NA	0.0	NA	0.0	NA

KENTUCKY ECONOMY

Kentucky non-farm employment rose 2.8 percent in the second quarter of FY23. This is the seventh consecutive adjacent-quarter increase in non-farm employment in the state. Kentucky non-farm employment rose a net 54,100 jobs in the second quarter of FY23 compared to a year earlier. Business services employment rose a net 6.0 percent, or 13,200 jobs, in the second quarter of FY23 compared to a year earlier. Leisure and hospitality services employment rose a net 5.7 percent, or 10,800 jobs, in the second quarter of FY23 compared to a year earlier. Educational services employment and trade, transportation, and utilities employment also had significant improvements in jobs during that time. Other services employment declined a net 1.0 percent, or 600 jobs during that time, while manufacturing employment lost a net 400 jobs during that time.

Kentucky personal income rose 5.0 percent in the second quarter of FY23 compared to the second quarter of FY22. This is the sixth consecutive adjacent-quarter increase in Kentucky personal income. Like US personal income, Kentucky personal income is nominal, that is, does not account for inflation. Inflation has a way of obscuring real economic growth. Therefore, it is useful to examine the income accounts relative to a fixed point in time for comparison purposes. Kentucky personal income rose a net 20.2 percent in the second quarter of FY23 compared to the second quarter of FY20. Transfer receipts income grew the most among the components, rising a net 30.0 percent in the second quarter of FY23 compared to the second quarter of FY20. Proprietors' income rose 25.2 percent in the second quarter compared to second quarter of FY20. Wages and salaries income rose 19.6 percent, supplemental income rose 17.6 percent, and dividends, interests, and rents income rose 10.6 percent during that time.

Unequal growth in the income components in such a short time naturally results in changes to the shares of personal income. Transfer receipts income went from 23.9 percent of total personal income in the second quarter of FY20 to 25.8 percent of total personal income in the second quarter of FY23. Kentucky proprietors' income went from 6.7 percent of total personal income in the second quarter of FY20 to 7.0 percent of total personal income in the second quarter of FY23. The other three components of personal income all had their shares decline. Dividends, interests, and rents income share fell from 17.3 percent to 15.9 percent. Supplemental income share fell from 12.5 percent to 12.2 percent, while wages and salaries income share only dropped from 49.1 percent to 48.8 percent during that time. The share for Kentucky social insurance income, a deduction from personal income, was unchanged during that time.

Table 11
History of KY Labor and Income Data

	FY22						FY23			
	Q2	% chg	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg
Non-farm Employment (thousands, NSA)	1,915.5	3.4	1,935.6	2.8	1,943.2	2.9	1,963.2	3.3	1,969.6	2.8
Goods-producing	327.8	0.8	325.8	-1.1	326.4	-0.6	332.1	0.7	329.3	0.4
Mining	7.5	5.6	7.7	0.9	7.5	-2.1	7.7	1.9	7.8	3.7
Construction	78.4	0.2	79.0	0.0	76.8	-2.6	79.6	0.9	79.9	1.9
Manufacturing	241.9	0.8	239.1	-1.5	242.2	0.2	244.8	0.6	241.5	-0.1
Service-providing	1,289.4	4.5	1,310.6	4.0	1,318.3	4.1	1,332.6	4.5	1,337.1	3.7
Trade, Transportation & Utilities	417.2	3.0	424.3	3.7	422.1	3.2	425.6	3.5	427.6	2.5
Information	21.1	4.3	21.5	5.4	21.8	5.2	22.0	4.8	21.7	3.1
Finance	95.4	1.9	95.7	0.2	97.1	1.4	97.3	1.5	96.8	1.5
Business Services	219.7	3.5	225.8	3.9	231.0	5.4	231.7	5.5	233.0	6.0
Educational Services	282.4	2.1	283.9	1.1	287.1	1.9	291.5	3.7	294.2	4.2
Leisure and Hospitality Services	190.6	15.2	196.8	12.6	197.2	10.8	201.9	10.1	201.4	5.7
Other Services	63.0	3.0	62.5	0.9	62.1	-0.2	62.6	-0.6	62.4	-1.0
Government	298.3	1.5	299.2	2.3	298.5	2.0	298.5	1.0	303.3	1.7
Personal Income ($ billions, AR)	228.8	7.7	231.4	-5.0	233.5	3.8	236.4	3.9	240.4	5.0
Wages and Salaries	108.7	8.3	111.7	10.6	113.5	10.1	115.7	9.4	117.4	8.0
Transfer Receipts	62.9	11.2	61.8	-29.2	61.3	-5.3	61.1	-5.2	62.0	-1.4
Dividends, Interest, and Rents	35.8	3.6	35.9	3.6	36.4	3.9	37.1	4.9	38.3	7.1
Supplements to Wages and Salaries	27.5	5.9	28.2	6.7	28.5	6.7	28.9	6.8	29.3	6.6
Proprietors' Income	15.8	4.6	16.4	11.4	16.8	3.4	16.8	3.7	16.9	6.7
Social Insurance	17.9	6.3	18.6	9.3	18.9	9.7	19.2	9.4	19.4	8.3
Residential Adjustment	-3.9	NA	-4.1	NA	-4.2	NA	-4.0	NA	-4.1	NA

APPENDIX

General Fund and Road Fund Revenue Receipts

SECOND QUARTER FY23

Kentucky State Government – General Fund

	Second Quarter FY 2023	Second Quarter FY 2022	% Change	Year-To-Date FY 2023	Year-To-Date FY 2022	% Change
TOTAL GENERAL FUND	**$3,880,845,343**	**$3,607,932,260**	**7.6%**	**$7,437,436,364**	**$7,032,839,097**	**5.8%**
Tax Receipts	**$3,712,515,924**	**$3,471,549,872**	**6.9%**	**$7,159,177,329**	**$6,580,822,281**	**8.8%**
Sales and Gross Receipts	**$1,550,568,166**	**$1,434,794,382**	**8.1%**	**$3,162,885,082**	**$2,884,014,318**	**9.7%**
Beer Consumption	1,531,204	1,614,166	-5.1%	3,305,377	3,382,933	-2.3%
Beer Wholesale	17,180,232	16,400,910	4.8%	37,375,869	35,830,225	4.3%
Cigarette	74,122,599	81,942,171	-9.5%	155,270,240	165,949,986	-6.4%
Distilled Spirits Case Sales	49,788	59,312	-16.1%	120,966	117,497	3.0%
Distilled Spirits Consumptic	4,801,096	4,625,741	3.8%	9,559,845	9,544,135	0.2%
Distilled Spirits Wholesale	19,539,136	18,109,654	7.9%	37,422,381	35,567,841	5.2%
Insurance Premium	11,641,121	(936,471)	---	57,858,245	36,120,226	60.2%
Pari-Mutuel	16,919,668	11,154,486	51.7%	24,010,753	20,489,856	17.2%
Race Track Admission	0	38,916	---	63,820	82,990	-23.1%
Sales and Use	1,368,951,418	1,265,446,168	8.2%	2,766,074,441	2,504,028,769	10.5%
Wine Consumption	834,652	757,358	10.2%	1,598,431	1,682,782	-5.0%
Wine Wholesale	5,423,327	5,452,622	-0.5%	10,160,524	10,361,782	-1.9%
Telecommunications Tax	18,960,567	19,448,984	-2.5%	37,841,603	38,576,933	-1.9%
Other Tobacco Products	10,612,759	10,692,038	-0.7%	22,220,225	22,287,681	-0.3%
Floor Stock Tax	600	(11,676)	---	2,364	(9,319)	---
Car Rental & Ride Sharing	0	0	---	0	0	---
Natural Resources	**$37,772,980**	**$27,764,991**	**36.0%**	**$75,506,466**	**$48,751,825**	**54.9%**
Coal Severance	24,599,245	17,440,407	41.0%	46,730,463	30,293,703	54.3%
Oil Production	1,825,834	1,660,623	9.9%	4,395,145	3,229,815	36.1%
Minerals Severance	7,119,049	6,486,528	9.8%	14,830,762	12,267,492	20.9%
Natural Gas Severance	4,228,852	2,177,433	94.2%	9,550,096	2,960,815	222.5%
Individual Income Tax	**$1,392,409,299**	**$1,279,770,544**	**8.8%**	**$2,761,316,874**	**$2,542,065,874**	**8.6%**
Withholding	1,306,200,350	1,215,001,393	7.5%	2,526,108,136	2,344,764,841	7.7%
Declarations	47,032,458	44,817,553	4.9%	190,175,346	173,244,479	9.8%
Net Returns	39,737,228	19,657,364	102.1%	46,610,399	24,565,809	89.7%
Fiduciary	(560,738)	294,234	---	(1,577,006)	(509,254)	---
Major Business Taxes	**$260,971,312**	**$287,305,967**	**-9.2%**	**$598,150,079**	**$577,911,519**	**3.5%**
Corporation Income	224,178,305	236,773,392	-5.3%	515,668,521	484,794,551	6.4%
LLET	36,793,007	50,532,575	-27.2%	82,481,558	93,116,967	-11.4%
Property	**$448,325,875**	**$415,355,522**	**7.9%**	**$516,305,533**	**478,420,334**	**7.9%**
General - Real	252,639,598	246,803,491	2.4%	252,365,632	246,657,663	2.3%
General - Tangible	95,129,654	82,829,813	14.8%	104,183,900	93,314,704	11.6%
Tangible - Motor Vehicle	35,554,268	34,379,028	3.4%	80,878,917	73,116,744	10.6%
Omitted & Delinquent	3,617,296	4,890,211	-26.0%	3,776,586	9,326,098	-59.5%
Public Service	60,901,849	46,017,236	32.3%	72,570,410	53,986,777	34.4%
Other	483,210	435,744	10.9%	2,530,089	2,018,349	25.4%
Inheritance Tax	**$16,672,169**	**$26,547,875**	**-37.2%**	**$40,107,613**	**$44,312,514**	**-9.5%**
Miscellaneous	**$5,796,123**	**$10,590**	**54632.1%**	**$4,905,682**	**5,345,898**	**-8.2%**
License and Privilege	$586,788	$263,274	122.9%	988,907	718,963	37.5%
Bank Franchise	$69,793	$299,516	-76.7%	65,313	584,566	-88.8%
Legal Process	2,244,785	2,998,888	-25.1%	4,626,693	5,444,785	-15.0%
T. V. A. In Lieu Payments	2,892,155	(3,553,523)	---	(798,991)	(1,409,574)	---
Other	2,602	2,435	6.8%	23,759	7,158	231.9%
Nontax Receipts	**$161,592,088**	**$134,930,238**	**19.8%**	**$271,182,941**	**$445,631,414**	**-39.1%**
Departmental Fees	2,374,029	3,125,505	-24.0%	6,042,737	6,269,840	-3.6%
PSC Assessment Fee	50,149	49,260	1.8%	10,203,674	13,491,870	-24.4%
Fines & Forfeitures	4,801,563	4,542,039	5.7%	9,655,194	9,328,612	3.5%
Income on Investments	24,634,828	(484,415)	---	37,643,337	(617,438)	---
Lottery	88,790,883	83,842,688	5.9%	163,790,883	153,342,688	6.8%
Miscellaneous	40,940,636	43,855,162	-6.6%	43,847,118	263,815,843	-83.4%
Redeposit of State Funds	**$6,737,331**	**$1,452,151**	**364.0%**	**$7,076,093**	**$6,385,401**	**10.8%**

Kentucky State Government – Road Fund

	Second Quarter FY 2023	Second Quarter FY 2022	% Change	Year-To-Date FY 2023	Year-To-Date FY 2022	% Change
TOTAL STATE ROAD FUND	**$419,840,677**	**$391,315,974**	**7.3%**	**$842,483,436**	**$815,152,162**	**3.4%**
Tax Receipts-	**$410,714,392**	**$386,530,637**	**6.3%**	**$827,781,021**	**$802,938,787**	**3.1%**
Sales and Gross Receipts	**$353,924,481**	**$337,377,594**	**4.9%**	**$721,704,936**	**$702,857,832**	**2.7%**
Motor Fuels Taxes	202,766,445	194,414,227	4.3%	402,908,827	395,872,321	1.8%
Motor Vehicle Usage	151,158,035	142,963,367	5.7%	318,796,110	306,985,511	3.8%
License and Privilege	**$56,789,912**	**$49,153,043**	**15.5%**	**$106,076,085**	**$100,080,956**	**6.0%**
Motor Vehicles	20,234,751	19,753,845	2.4%	42,304,504	39,483,071	7.1%
Motor Vehicle Operators	11,725,297	4,443,127	163.9%	14,269,584	11,797,977	20.9%
Weight Distance	22,288,383	22,122,512	0.7%	44,672,105	43,886,360	1.8%
Truck Decal Fees	36,100	23,840	51.4%	103,820	61,040	70.1%
Other Special Fees	2,505,382	2,809,718	-10.8%	4,726,072	4,852,508	-2.6%
Nontax Receipts	**$9,049,847**	**$4,394,879**	**105.9%**	**$14,522,500**	**$11,673,988**	**24.4%**
Departmental Fees	5,582,341	5,075,566	10.0%	12,686,751	11,242,189	12.8%
In Lieu of Traffic Fines	115,455	57,880	99.5%	232,140	119,425	94.4%
Income on Investments	2,472,657	(1,542,159)	---	(325,920)	(1,430,007)	---
Miscellaneous	879,393	803,592	9.4%	1,929,529	1,742,381	10.7%
Redeposit of State Funds	**$76,438**	**$390,459**	**-80.4%**	**$179,916**	**$539,387**	**-66.6%**

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 labor force 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 labor force 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.
Source: IHS Markit - Economics & Country Risk, November 11, 2022 data release.

Table 4
Not Seasonally Adjusted, Data for FY23 Q2 are November 2022 estimates.
Source: IHS Markit - Economics & Country Risk, November 11, 2022 data release.

Table 7
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 FY23 Q2 are November 2022 estimates.
Source: IHS Markit - Economics & Country Risk, November 11, 2022 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 8
Not Seasonally Adjusted.
Source: IHS Global Insight, Inc. and the Kentucky Governor’s Office for Economic Analysis MAK model, November 2022

Table 10
Seasonally Adjusted. Data for FY23 Q2 are November 2022 estimates
Source: IHS Markit – Economics & Country Risk, November 11, 2022 data release.