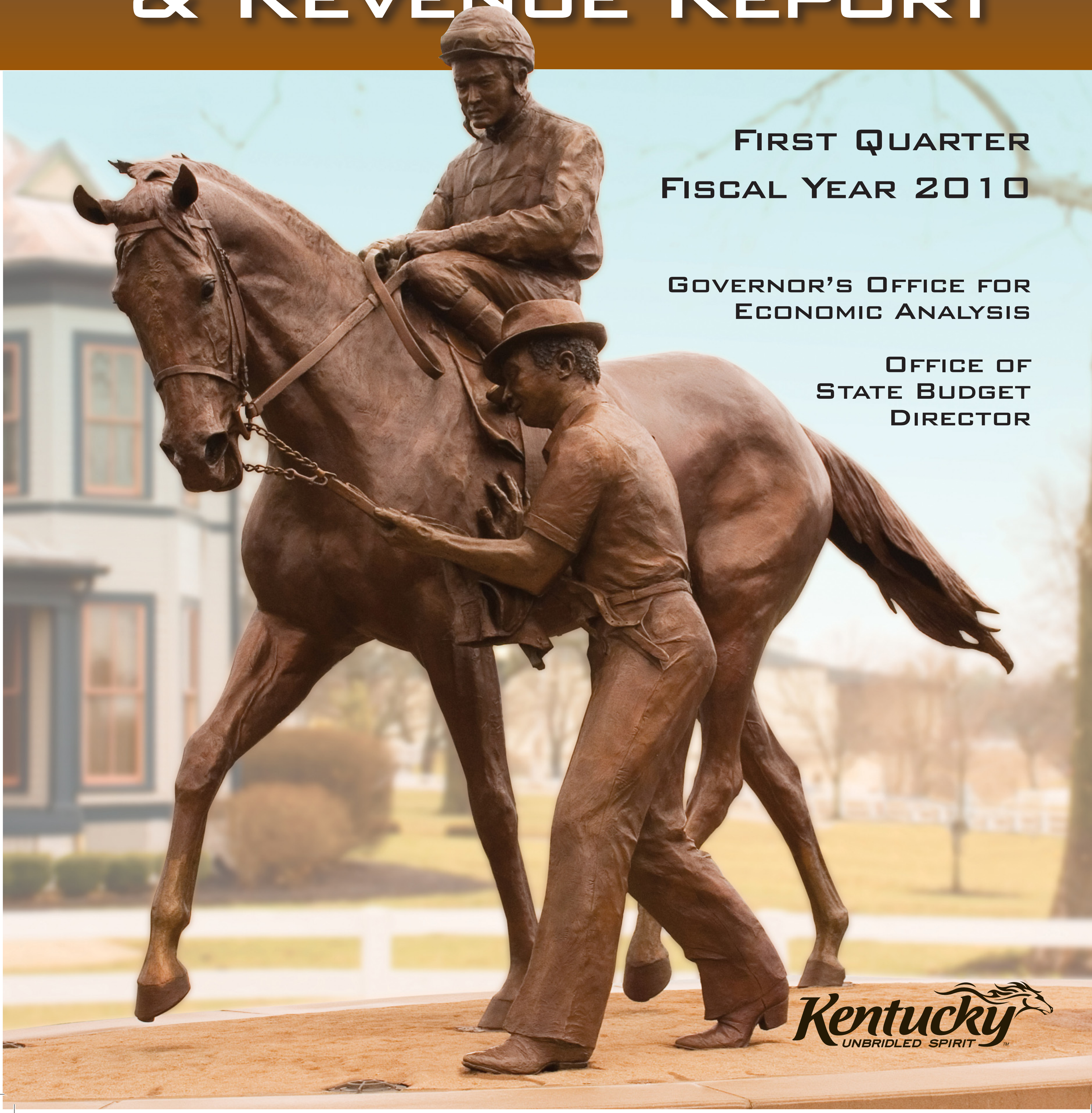
COMMONWEALTH OF KENTUCKY

Quarterly Economic & Revenue Report

First Quarter Fiscal Year 2010

Governor's Office for Economic Analysis

Office of State Budget Director



Kentucky UNBRIDLED SPIRIT

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Steven L. Beshear
Governor

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Mary E. Lassiter
State Budget Director

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

October 30, 2009

The Honorable Steven L. Beshear
Governor
Commonwealth of Kentucky
State Capitol Building
Frankfort, KY 40601

Dear Governor Beshear:

The attached Quarterly Economic and Revenue Report summarizes the revenue and economic statistics for the first quarter of Fiscal Year 2010 (FY10). It also includes an interim economic and revenue forecast for the last three quarters of FY10.

General Fund receipts for the first quarter of FY10 totaled $1,968.5 million, a decrease of 5.6 percent compared to the same period in FY09. Road Fund revenues totaled $302.6 million, a decrease of 3.0 percent from the first quarter of FY09.

The interim General Fund forecast for the final three quarters of FY10 calls for a decrease of 2.8 percent compared to the same period one year ago, resulting in a projected decline of 3.5 percent for the entire fiscal year. The interim forecast for the Road Fund for the final three quarters of FY10 calls for a decline of 1.2 percent, resulting in a projected decline of 1.6 percent for the entire fiscal year.

Compared to the current official revenue estimates, the interim General Fund forecast for FY10 falls $160.9 million short. For the Road Fund, the interim forecast is $31.4 million higher than the current official forecast.

We will continue to monitor the economic and fiscal conditions of the Commonwealth and will keep you apprised of developments.

Sincerely,

Mary E. Lassiter

Mary E. Lassiter
State Budget Director

Attachment

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Executive Summary

In accordance with KRS 48.400(2), the Office of State Budget Director has prepared a Quarterly Economic and Revenue Report for the first quarter of FY10. This report includes a current synopsis of the economic and fiscal conditions of the Commonwealth, as well as an outlook for the next three fiscal quarters which represent the final three quarters of FY10.

General Fund receipts fell 5.6 percent in the first quarter of FY10, marking the third consecutive quarterly decline in the General Fund. Road Fund receipts dipped 3.0 percent, a sixth consecutive quarterly decline.

The major sources of weakness in the General Fund for the first quarter were the individual income and sales taxes, which together comprise approximately three-quarters of the General Fund revenues. Individual income tax receipts fell 7.1 percent while the sales tax plummeted 7.7 percent. Due to timing, most of the income tax payments received in the first quarter were payroll taxes collected through withholding. The large rate of decline is directly attributable to fewer employed persons and anemic wage growth stemming from the underlying economic downturn. The story is largely the same for the Kentucky sales tax. The cumulative loss of employment in Kentucky since the recession began has taken an exacting toll on sales tax collections. Counterbalancing occurred as tobacco tax receipts surged on the strength of the rate increase which took effect in April, but the magnitude was not enough to preserve positive General Fund growth in the first quarter.

In recent comparison, the Road Fund performance was encouraging despite falling 3.0 percent. The string of 18 consecutive monthly declines in the Road Fund was snapped in June, 2009. Since then the Road Fund has posted three more negative months, but the rates of decline are getting closer to zero. The motor fuels tax account in particular was a pleasant surprise in the first quarter. Despite no change in the fuels tax rate vis-à-vis the prevailing rate one year ago, receipts climbed 2.7 percent over the first quarter of FY09. Such growth can only be accomplished through a higher number of gallons sold in 2009, a very encouraging sign. However, the other components of the Road Fund joined forces to completely swamp the growth in the fuels area to generate another negative quarter in aggregate collections. Weight distance tax collections in particular were notably weak with a -16.1 percent decline. This so-called truck-mile tax has, as its base, apportioned miles driven by licensed motor carriers. The large rate of decline in this revenue source underscores the reality that a robust economic recovery has yet to hit the Commonwealth.

The remainder of this executive summary will concentrate on the highlights of the outlook portion of this report. Projected General Fund revenues for the next three quarters are shown in Table 5. The revenue outlook presented in this report is identical to the October 12, 2009, preliminary estimates rendered by the Consensus Forecasting Group (CFG). The standing *official* estimates for FY10 date back to the May 2009 revisions to the enacted budget estimates. These estimates were modified slightly in recognition of the actions of the regular and extraordinary sessions of the 2009 General Assembly.

In May 2009, the CFG lowered the General Fund estimates for FY10 by $996.0 million to $8,300.0 million due to the length and unanticipated severity of the current recession. Legislation enacted subsequent to the official revenue revisions resulted in a minor reduction of $4.1 million, resulting in the current official General Fund estimate for FY10 of $8,295.9 million. The interim estimates included in this report project General Fund revenues in FY10 equal to $8,135.0 million, an amount $160.9 million below the current official estimate.

A similar pattern of revisions occurred for the Kentucky Road Fund. In fact, the current recession has hit the manufacturing sectors particularly hard, so the reductions to the Road Fund have greatly exceeded the General Fund revisions in percentage terms. The FY10 enacted estimate from January 2008 for the Road Fund was $1,405.1 million. In May of 2009, the enacted estimates were officially lowered to $1,166.0 million. The reduction totaled $239.1 million, approximately 17.0 percent. Kentucky's current official estimate for the Road Fund in FY10 is $1,141.0 million, owing to legislation enacted subsequent to the official revenue revisions in May.

The unofficial interim estimate in this report is $1,172.5 million. As with the General Fund, this estimate represents the forecast rendered by the CFG at the October 12, 2009 meeting. When compared to the current official estimate, the new interim outlook is $31.5 million higher.

Due to the depth and duration of the current national recession, a clean, robust, and immediate recovery appears rather unlikely. Rather, the economy appears poised to move sideways until economic agents can more positively identify that the tide has turned. Businesses, faced with slumping current sales, will continue to be exceedingly cautious about expanding production and employment. Moreover, caution about current production decisions seems to be bleeding over into extreme caution about future production plans, which will further delay any meaningful rebound in business planned investment.

An examination of the projections used by the CFG and staff reveal a quantitative depiction of the aforementioned narrative. The final three quarters of FY10 are expected to produce GDP growth of 0.5 percent in the forecast, thus ending the period of declining national production. However, personal income is only expected to grow by a tepid 0.3 percent, which is well below historical growth during recovery periods. More importantly, employment is expected to *decline* 2.5 percent in the next three quarters, representing national employment losses of 3.3 million.

Manufacturing employment losses represent 1.0 million of the total employment decline.

The short-run outlook for the Kentucky economy is dominated by weaknesses in the employment sector. Kentucky employment is expected to fall 2.3 percent during the final three quarters of FY10, as goods-producing sectors will experience the most pronounced weakness. Construction employment is expected to fall 11.3 percent for the remainder of FY10 as the economy tries to work through large inventories of commercial real estate and vacancies. Manufacturing employment is expected to fall 8.4 percent, or 18,600 positions, during the same period. Losses in the goods-producing sectors are especially hard on the state economy due to the profound effect that these sectors have on supporting businesses that rely on a robust regional economy as their customer base.

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Revenue Receipts

GENERAL FUND
First Quarter, FY10

General Fund receipts in the first quarter of FY10 totaled $1.968 billion compared to $2.085 billion in the first quarter of FY09, for a decline of 5.6 percent or $116.5 million. Collections in the major revenue categories are shown in summary form in Table 1.

Table 1
Summary General Fund Receipts
First Quarter, FY10
(mil $)

	FY010	FY09	Diff ($)	Diff (%)
Sales and Use	693.9	751.4	-57.5	-7.7
Individual Income	814.4	876.7	-62.2	-7.1
Corp Inc. & LLET	79.6	94.3	-14.7	-15.6
Coal Severance	66.8	72.7	-5.8	-8.0
Cigarette Taxes	74.3	41.4	32.9	79.5
Property	60.1	63.8	-3.6	-5.7
Lottery	44.0	43.0	1.0	2.3
Other	135.3	141.7	-6.5	-4.6
TOTAL	**1,968.5**	**2,084.9**	**-116.5**	**-5.6**

Detailed information on these and other accounts is available in the Appendix. Receipts in the first quarter of FY10 reflect the weak economic conditions in the U.S. and Kentucky as well as tax law changes. Poor employment data and the national financial crisis depressed first quarter individual income, corporation income, and sales and use tax receipts. A portion of the economic decline was counterbalanced with increased collections from the doubling of the tax rates on cigarette and other tobacco products that went into effect in April 2009.

The sales and use tax fell 7.7 percent in the first quarter of FY10 as consumers continued to retrench and limit their purchases of taxable goods. Receipts of $693.9 million compare to the $751.4 million collected in the first quarter of FY09. Sales and use tax collections have now fallen for four consecutive quarters, the longest such streak of declines in the modern history of the sales tax.

Individual income tax receipts declined 7.1 percent in the first quarter of FY10. Receipts of $814.4 million were $62.2 million less than was collected in the first quarter of the previous fiscal year. The withholding component of the individual income tax is especially vulnerable to the continued weakness in the Kentucky labor market, as fewer workers have depressed payroll incomes and withholding collections.

Corporation income tax posted a decrease of 40.5 percent, or $33.3 million, during the first quarter of FY10. Receipts totaled $49.0 million compared to the $82.4 million received a year earlier. September is a declaration payment month for calendar year filers. The weak declaration payments received in September were a continuation of the weak performance recorded in the June cycle of income tax declarations.

The limited liability entity tax (LLET) saw an increase in tax collections in the first quarter of FY10 when compared to FY09. Total collections in the current fiscal year totaled $30.5 million and compare to revenues of $11.9 million in the same period a year earlier. The increased revenue collections are largely the result of compliance activity conducted by the Department of Revenue.

The coal severance tax decreased 8.0 percent as coal prices have moderated from the record levels of recent months. Receipts of $66.8 million compare to $72.7 million collected in the first quarter of FY09.

Cigarette taxes grew 79.5 percent in the first quarter with receipts of $74.3 million. The $32.9 million increase over FY09 first quarter receipts is the result of a doubling of the tax rate to 60 cents per pack. Other tobacco products (such as cigars, pipe tobacco, chewing tobacco, snuff,) also posted a similar bulge in collections (140.1 percent) due to a doubling of the tax rate in April 2009.

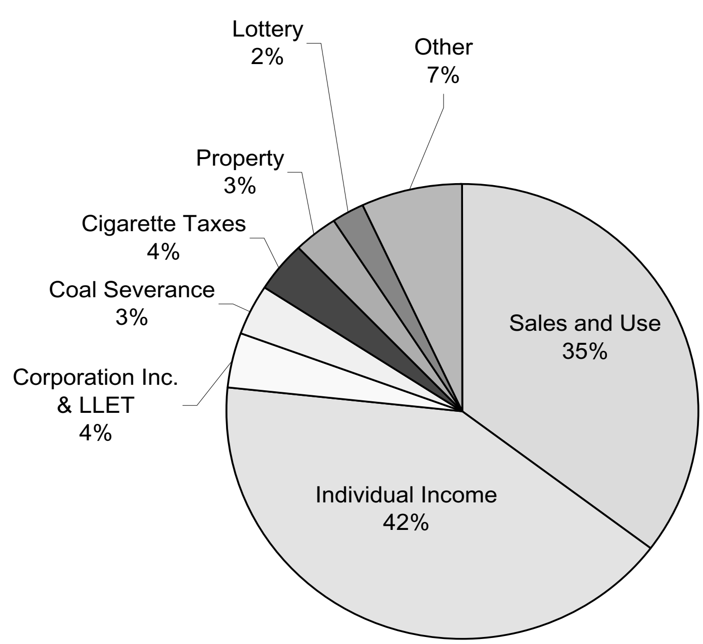
Property taxes were down 5.7 percent in the first quarter of FY10 due to timing of collections in the tangible and public service property accounts. Collections of $60.1 million compare to $63.8 million received in the first quarter of the prior fiscal year.

Lottery receipts increased 2.3 percent in the first quarter of FY10 with revenues of $44.0 million.

The "Other" category represents the remaining accounts in the General Fund, and collections in this account decreased 4.6 percent with receipts of $135.3 million.

Figure 1 details the composition of first-quarter General Fund receipts by tax type. Seventy-seven 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 7 percent. The major components in this category include inheritance taxes, insurance premium taxes, beer wholesale sales tax, telecommunications taxes, and the natural gas severance tax. Cigarette, and the combination of corporation income and LLET taxes each accounted for 4 percent of the total while property and coal severance taxes each accounted for 3 percent of the revenues. Finally, lottery receipts accounted for 2 percent of the General Fund.

Figure 1
First Quarter, FY10
General Fund Receipts



ROAD FUND
First Quarter, FY10

Road Fund revenue fell by 3.0 percent in the first quarter of FY10. Receipts totaled $302.6 million compared to the $312.0 million received in the first quarter of the last fiscal year. Summary data are contained in Table 2 and detailed data are shown in the Appendix.

Table 2
Summary Road Fund Receipts
First Quarter, FY10
(mil $)

	FY010	FY09	Diff ($)	Diff (%)
Motor Fuels	162.2	158.0	4.2	2.7
Motor Vehicle Usage	93.7	100.0	-6.3	-6.3
Motor Vehicle License	17.0	17.6	-0.6	-3.5
Motor Vehicle Operators	4.2	4.3	0.0	-0.3
Weight Distance	17.4	20.7	-3.3	-16.1
Investment Income	1.3	2.7	-1.4	-51.3
Other	6.8	8.7	-1.9	-21.9
TOTAL	**302.6**	**312.0**	**-9.4**	**-3.0**

Motor fuels tax receipts increased 2.7 percent during the first quarter of FY10. Receipts were $162.2 million and compare to $158.0 million collected during the first quarter of last year. Motor fuels tax revenues were affected by comparatively lower gas prices, thereby increasing consumption. The motor fuels tax rate was unchanged from the prevailing rate in the same quarter last year, but a small increase went into effect on October 1, 2009 due to a small rise in the wholesale price recorded in July.

Motor vehicle usage tax receipts fell by 6.3 percent, or $6.3 million, during the first quarter. The "Cash for Clunkers" program helped boost receipts in the quarter while a Kentucky tax law change reduced collections. The tax law change exempts the trade-in value on new car purchases for the period September 1, 2009 through August 31, 2010. Receipts were $93.7 million compared to $100.0 million collected during the same period last year.

Motor vehicle license tax receipts fell by 3.5 percent during the first quarter of FY10. Receipts of $17.0 million compare to $17.6 million received during the first quarter of FY09.

Motor vehicle operators' license fees totaled $4.2 million, a 0.3 percent decrease compared to the level observed a year ago.

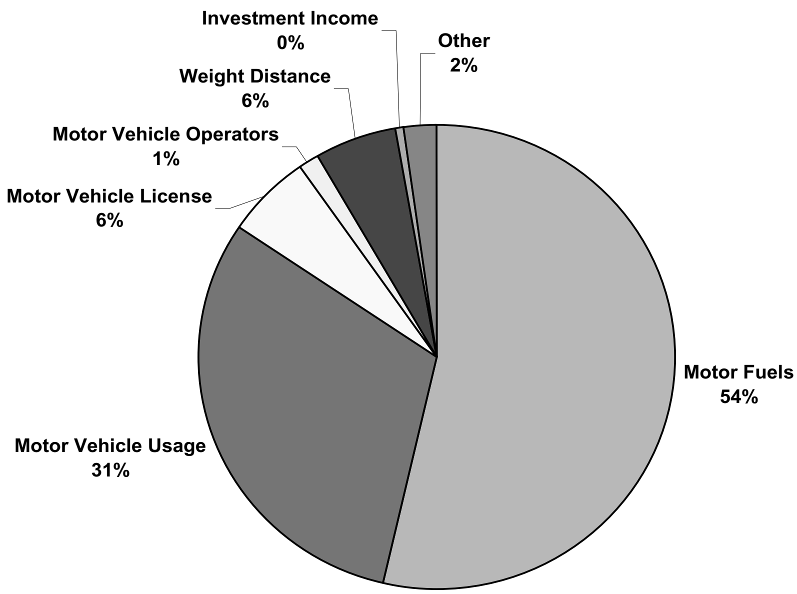
Weight distance tax receipts of $17.4 million fell 16.1 percent compared to receipts of $20.7 million collected during the first quarter of last year.

Investment income fell 51.3 percent in the first quarter due to lower investible balances. Receipts of $1.3 million compare to $2.7 in the first quarter of FY09.

The remainder of the accounts in the Road Fund combined for an decrease of 21.9 percent. Receipts for the "Other" category totaled $6.8 million during the first quarter, compared to $8.7 million in the first quarter of FY09.

Figure 2 details the composition of Road Fund revenues by tax type in the first quarter of FY10. Motor fuels taxes and the motor vehicle usage tax accounted for 85 percent of Road Fund revenues in the first quarter. The next-largest sources of revenue were the weight distance tax and motor vehicle license fee with 6 percent each. The "Other" category accounted for 2 percent, while motor vehicle operators' license fees comprised 1 percent. Investment income accounted for less than 1 percent of total Road Fund receipts.

Figure 2
First Quarter, FY10
Road Fund Receipts



The Economy

NATIONAL ECONOMY

Real gross domestic product (real GDP) is the broadest measure of economic activity for a nation. It is defined as the sum of all goods and services created within a country's physical boundaries in a given year. Real GDP can be broken down into five components: consumption, investment, government expenditures, imports and exports. Real GDP for the United States is estimated to have fallen to $13,009 billion in the first quarter of FY10.

Real GDP declined by $315.3 billion, a 2.4 percent decline, in the first quarter of FY10 over the first quarter in FY09. However, real GDP increased by $77.1 billion, a 0.9 percent increase, compared to the fourth quarter of FY09. So in absolute terms, real GDP may have reached its trough during the fourth quarter of FY09. Assuming that the fourth quarter of FY09 was the trough, then real GDP lost a net $522.8 billion, a loss of 3.9 percent of real GDP from peak to trough. Historically speaking, the 2007 recession is the worst recession since the Great Depression. Using annual figures, real GDP fell by 26.7 percent during the Great Depression from 1929 to 1933.[1] The next worst recession was the 1973 recession. During the 1973 recession, real GDP fell by $135.7 billion, a 3.1 percent net decline from peak to trough.

Real consumption, the largest component of real GDP, made up 71.0 percent of GDP in the first quarter of FY10. The last seven quarters have been very weak for real consumption. Consumption has declined in four of the last seven quarters. Nonetheless, consumption increased by $48.9 billion, or 0.5 percent, in the first quarter over the fourth quarter of FY09. During the previous four quarters, adjacent-quarter growth was -0.9, -0.8, 0.2 and -0.2 percent, respectively. Normal expansion period growth for real consumption is typically between 0.3 percent and 1.5 percent on an adjacent quarter basis. Instability in the labor market, tighter credit and low consumer sentiment are all causes of the weak consumption figures. While consumption has been weak, it is investment spending which has been the largest drag on the economy.

Real investment is the smallest but the most volatile of the five real GDP components. Real investment made up 11.8 percent of real GDP in the first quarter of FY10. Real investment grew by $76.1 billion, or 5.2 percent, over the fourth quarter of FY09. However, real investment has declined in 11 of the last 14 quarters. During that time, investment has lost a net $735.2 billion or 32.5 percent. The great majority of those losses occurred in the final three quarters of FY09. Real investment includes the construction/sale of new homes

[1] Annual chained 2005 dollars. Source: Federal Reserve Board of St. Louis

and renovation of existing homes, but does not include the sale of existing homes.

Real government expenditures increased sharply during the first quarter of FY09, increasing by 1.2 percent in one quarter. Then during the third quarter of FY09, government expenditures declined by 0.7 percent. The last five quarters of growth were 1.2, 0.3, -0.7, 1.6, and 0.9 percent, respectively.

Since 1959, the ratio of government expenditures to GDP has been in a state of relative decline. The high of 29.4 percent occurred in the second quarter of 1961. The ratio reached a low of 18.4 percent in the third quarter of FY07. Since the third quarter of FY07, the ratio has been on a steady rise again. The ratio of government expenditures to GDP was 19.9 percent in the first quarter of FY10. Government expenditures are typically countercyclical, increasing during contractions, as unemployment insurance payments and many needs-based program expenditures are increasing. High growth occurred in defense outlays and transfer payments for the last several quarters.

Real exports increased for the first time in five quarters. In the first quarter of FY10, real exports increased by $37.8 billion or 2.7 percent over the fourth quarter of FY09. The preceding four quarters of growth were -0.9, -5.3, -8.5, and -1.3 percent, respectively. Assuming the fourth quarter was the trough, the net loss from peak to trough for exports was $254.0 billion, or a 15.2 percent loss. The world-wide recession hit Europe and Asia some time after the U.S. Despite a weaker dollar, which should help exports, the rest of the world is also mired in a recession with decreased spending just like the U.S.

U.S. personal income decreased by 0.1 percent in the first quarter of FY10 over the fourth quarter of FY09. This is the fourth time in five quarters that personal income has declined. Personal income is down a net $313.9 billion or 2.6 percent since the fourth quarter of FY08, the previous peak. This is a much deeper recession for U.S. personal income than in previous recessions. U.S. personal income slowed considerably during the 2001 recession and only declined during one quarter (-0.01 percent in FY02Q1).

U.S. unemployment has grown sharply over the last three quarters. The unemployment rate in the first quarter of FY10 was 9.5 percent, up from 6.1 percent just a year prior. There is typically a lag between declines in

Table 3
Summary of US Economic Series
First Quarter FY09/FY10
October 2009

	First Quarter			
	FY10	FY09	Chg	% Chg
Real GDP ($ billions)	13,009.3	13,324.6	-315.3	-2.4
Real Consumption ($ billions)	9,235.6	9,267.7	-32.1	-0.3
Real Investment ($ billions)	1,529.5	1,990.7	-461.2	-23.2
Real Govt. Expenditures ($ billions)	2,590.8	2,536.6	54.2	2.1
Real Exports ($ billions)	1,454.2	1,655.2	-201.0	-12.1
Real Imports ($ billions)	1,818.3	2,134.4	-316.1	-14.8
Personal Income ($ billions)	11,979.0	12,286.6	-307.6	-2.5
Inflation (% chg of CPI)	0.8	1.5	NA	NA
Industrial Production Index (% chg)	1.0	-2.3	NA	NA
Civilian Labor Force (millions)	154.4	154.7	-0.2	-0.1
Total Nonfarm Employment (millions)	131.3	137.0	-5.7	-4.2
Manufacturing Employment (millions)	11.8	13.4	-1.6	-12.0
Unemployment Rate (percent)	9.5	6.1	NA	NA

Not Seasonally Adjusted. Real series are in billions of chained 2000 dollars.
GDP components may not sum due to rounding at lower levels of detail.
Data for FY10 Q1 are estimates.
Source: IHS Global Insight Inc., September 3, 2009 data release

employment and declines in personal income. In the short term, individuals can prop up personal income by decreasing payments into their 401(k) plans or even make withdrawals from their 401(k) or other pension funds. This is the worst unemployment spell since FY83 when there were three consecutive quarters with the employment rate above 10 percent.

Employment continues to decline across several sectors. Total non-farm employment declined by another 0.7 percent in the first quarter. That is the seventh consecutive decline for non-farm employment. The previous peak for non-farm employment was in the second quarter of FY08 with 138.0 million employed. Since that time, employment has declined by a net 6.7 million jobs, a 4.9 percent decline. U.S. manufacturing employment has been in a state of decline since before the recession officially began. U.S. manufacturing employment has declined for the last 14 consecutive quarters. The previous peak occurred the third quarter of FY06 with 14.2 million employed. Since then employment has fallen by 2.4 million, or a net loss of 17.1 percent.

KENTUCKY ECONOMY

There is no official measure for recession starting points for states. In many cases, an analysis of the key macroeconomic series for the state, personal income and employment can provide a reasonable estimate of those turning points for states. The majority of the key series started actively declining between April and August of 2008. This is four to eight months after the official starting point of the 2007 recession. So it can be said that the 'Kentucky recession' starting point lagged the U.S. starting point. Kentucky's expansion period also typically starts after the national expansion has begun. The official turning points in the U.S. business cycle are identified by the National Bureau of Economic Research (NBER). The most recently determined turning point by NBER is December 2007 as the last contraction starting point. As of October 16, 2009, the expansion period has not been determined for the nation.

Personal income growth has been weak in Kentucky for the last five quarters. The last five quarters of growth were -0.4, 0.1, 0.1, 0.8 and -0.3 percent, respectively. The decline in the first quarter of FY09 resulted in a loss of $578 million in personal income, while the decline in the first quarter of FY10 resulted in a loss of $462 million in personal income. Personal income does not always decline during a recession. During the 2001 recession, Kentucky personal income did not fall during any quarter. This was because wages and salaries are a large component and it contained a strong positive trend. Also, increases in transfer payments can make up for some of the lost income in wages, interest or rents. Kentucky personal income is now 0.7 percent above its level from a year ago.

Kentucky wages and salaries, which make up 52.2 percent of personal income, declined for the third consecutive quarter. The FY10 first quarter decline of 0.1 percent was modest, but the preceding two quarters, -1.0 percent and -1.4 percent growth, respectively were substantial single-quarter declines. In just the last three quarters, Kentucky wages and salaries have declined by a net $1,776.2 million, a 2.4 percent decline.

Kentucky non-farm employment has declined for seven consecutive quarters. The largest single quarter decline occurred in the third quarter of FY09 with a loss of 32,300 jobs or a 1.8 percent loss. In the first quarter of FY10, non-farm employment declined by 6,900 or a 0.4 percent loss. The previous peak occurred in the second quarter of FY08; Kentucky non-farm employment was 1,871.2 million. Since then a net 96,600 seasonally adjusted jobs have been lost. This is a net decline of 5.2 percent in non-farm employment. By comparison, Kentucky lost 52,800 seasonally adjusted jobs, a 2.9 percent drop, from peak to trough during the 2001 recession. It is not clear whether Kentucky non-farm employment has found a bottom yet during the current recession.

The losses in Kentucky employment have been pretty evenly distributed across the subsectors. Education and health services is the only employment sector which has not experienced a decline at all over the last eight quarters. Growth rates in that sector have softened slightly, but not as significantly as the other sectors. Employment in the financial services and business services sectors both increased during the first quarter of FY10 with 1.0 percent and 1.7 percent growth, respectively. This was following moderate to large declines in the majority of the last six quarters for those service sectors.

Manufacturing employment, which makes up 11.6 percent of non-farm employment in Kentucky, has been in state of decline since May of 2000, which was the last peak for the seasonally adjusted series. There was no peak at any time during the last expansion period. In May of 2000, there were 312,100 seasonally adjusted manufacturing jobs in Kentucky. The 2001 recession officially ended in November of 2001, but the freefall in Kentucky manufacturing jobs did not stop until April of 2003 when manufacturing employment reached 264,600. This is a loss of 47,500 jobs, a net decline of 15.2 percent. The period from April 2003 to December 2007, which is the official starting point of the current contraction, contained a mixture of small declines and lateral movements for Kentucky manufacturing employment. The few monthly gains that did occur in that time just barely made up the losses from the previous month's losses. From December 2007 to August 2009, Kentucky manufacturing employment lost 44,600 seasonally adjusted jobs, a 17.6 percent decline. There was some solid growth for one month in July, but it was

Table 4
Summary of Kentucky Economic Series
First Quarter FY09/FY10
October 2009

	First Quarter			
	FY10	FY09	Chg	% Chg
Personal Income ($ billions)	137,376.7	136,473.0	903.7	0.7
Wages and Salary Income ($ billions)	71,723.8	73,414.0	-1,690.2	-2.3
Nonagricultural Employment (thousands)	1,774.6	1,853.8	-79.1	-4.3
Goods Producing (thousands)	300.8	352.3	-51.5	-14.6
Construction	68.5	84.8	-16.3	-19.2
Mining	25.5	24.3	1.2	5.1
Manufacturing	206.7	243.2	-36.5	-15.0
Service Providing (thousands)	1,153.0	1,180.3	-27.2	-2.3
Trade, Transportation & Utilities	364.9	382.6	-17.6	-4.6
Information	28.9	29.9	-1.0	-3.2
Finance	90.1	91.9	-1.7	-1.9
Business Services	177.5	182.6	-5.2	-2.8
Educational Services	247.2	245.4	1.8	0.7
Leisure and Hospitality Services	171.3	172.9	-1.5	-0.9
Other Services	73.0	75.0	-2.0	-2.6
Government (thousands)	320.9	321.2	-0.4	-0.1

Not Seasonally Adjusted. Data for FY10 Q1 are October 2009 estimates.
Source: IHS Global Insight Inc. and Governor's Office for Economic Analysis MAK model

completely eliminated by the losses in August. It does not appear that manufacturing employment has found a bottom yet.

Since the beginning of the recession manufacturing employment has been the largest loser in absolute numbers, but construction employment was the largest loser in terms of percent losses. Since the beginning of the recession until the first quarter of FY10, construction employment has lost 17,900 non-seasonally adjusted jobs, a 20.7 percent decline in just seven quarters. This is a reflection of the decline in residential housing construction in Kentucky as well as the general slowdown in personal income.

Mining employment, which makes up 1.4 percent of non-farm employment, fell slightly in the first quarter of FY10, but has been growing moderately for the past couple of years. Since the recession started, mining employment has added 3,500 non-seasonally adjusted jobs, an increase of 16.1 percent for the state. Trade, transportation and utilities employment, the largest employment sector in Kentucky (20.6 percent of non-farm employment), lost a net 21,500 non-seasonally adjusted jobs since the recession started. This is a loss of 5.6 percent during that time.

Kentucky government employment, which makes up 18.1 percent of non-farm employment, declined by 3,700, or 1.1 percent, since the recession officially started. Kentucky government employment has declined in five of the last eight quarters.

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Interim Outlook

Projected General Fund revenues for the next three quarters are shown in Table 5. The revenue outlook presented in this report is identical to the October 12, 2009, preliminary estimates rendered by the Consensus Forecasting Group (hereafter CFG). The standing *official* estimates for FY10 date back to the May 2009 revisions to the enacted budget estimates, and were again modified slightly due to the actions of the extraordinary session of the 2009 General Assembly.

In May 2009, the CFG lowered the General Fund estimates for FY10 by $996.0 million to $8,300.0 million due to the length and unanticipated severity of the current recession. Legislation enacted subsequent to the official revenue revisions resulted in a subsequent reduction of $4.1 million, resulting in the current official General Fund estimate for FY10 of $8,295.9 million. The interim estimates included in this report project General Fund revenues in FY10 equal to $8,135.0 million, an amount $160.9 million below the current official estimate. As mentioned in the introduction, the estimates used in this report are identical to the most recent CFG estimates.

General Fund receipts through the first fiscal quarter totaled $1,968.5 million, a reduction of 5.6 percent from the amount collected in the first quarter of FY09. The projections included in this report call for a 2.8 percent reduction for the remainder of FY10, resulting in an overall loss of 3.5 percent for FY10. By comparison, General Fund

Table 5
General Fund Interim Forecast
($ millions)
October 2009

	FY10 Q1		FY10 Q2, Q3 & Q4		FY10 Full Year		Official Budget	Diff
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	($ mil)
Sales & Use	693.9	-7.7	2,070.1	-1.7	2,764.0	-3.3	2,834.4	-70.4
Individual Income	814.4	-7.1	2,307.2	-5.4	3,121.7	-5.8	3,150.9	-29.3
Corporation Inc & LLET	79.6	-15.6	289.4	-2.0	369.0	-5.3	408.4	-39.4
Coal Severance	66.8	-8.0	177.6	-19.2	244.5	-16.5	276.9	-32.5
Cigarettes	74.3	79.5	209.0	20.7	283.3	32.0	261.1	22.2
Property	60.1	-5.7	451.1	0.4	511.3	-0.4	518.4	-7.1
Lottery	44.0	2.3	158.0	5.0	202.0	4.4	202.0	0.0
Other	135.3	-4.6	504.1	-0.8	639.4	-1.6	643.8	-4.4
Total General Fund	**1,968.5**	**-5.6**	**6,166.5**	**-2.8**	**8,135.0**	**-3.5**	**8,295.9**	**-160.9**

revenues fell 2.7 percent in FY09 compared to FY08. If the projected decline in FY10 manifests, it will be the first time in the modern rate era that the General Fund has declined in consecutive years.

Sales and use tax receipts are estimated to fall an additional 1.7 percent over the remaining three quarters of FY10. First quarter sales and use tax receipts fell 7.7 percent despite a sizeable amount of new sales tax attributable to collections from package liquor sales and have now fallen for four consecutive quarters. The sales tax is particularly vulnerable to the underlying weaknesses in employment and income, both of which are expected to fall further during the interim forecast. During the current four-quarter streak of consecutive declines, the rate of decline has increased each quarter, perhaps indicative of the cumulative effect of the employment losses. The forecast does call for the rates of decline to become smaller, but that is partly a result of having a lower base of comparison when computing the rates of growth.

The interim forecast for the individual income tax calls for receipts to fall by 5.8 percent in FY10. Individual income tax receipts fell 7.1 percent in the first quarter of FY10 and an additional 5.4 percent over the three-quarter forecasting horizon. While the weakness in this revenue source is widespread, payroll withholding taxes have been notably weak in recent quarters, a result once again of the underlying weakness in the Kentucky and national labor markets. The combination of individual income taxes with the sales tax total nearly 72.4 percent of the FY10 General Fund revenue estimate. Both of these revenue sources are highly correlated with Kentucky wages and salaries, and as such, are susceptible to prolonged recessions and labor weakness.

Combined corporation income and limited liability entity tax (LLET) receipts fell 15.6 percent in the first quarter of FY10 and are expected to slide an additional 2.0 percent over the remainder of FY10. The FY10 total estimate is $369.0 million, a 5.3 percent reduction. Masked within the first quarter decline of 15.6 percent is a $18.6 million, *increase* in the LLET. Estimated income tax payments continue to be very weak due to low levels of anticipated profits in tax year 2009. A portion of the LLET tax increase in collections is attributable to compliance efforts by the Department of Revenue and prior year tax liabilities being paid in the current year. However, the base of the LLET is Kentucky gross receipts or gross profits, both of which exhibit more stability than taxable net income.

Unprecedented revenue growth in coal severance tax revenue came to a halt in the first quarter of FY10, as that revenue source fell 8.0 percent compared to the extremely high bar set in the first quarter of FY09. The FY10 estimate for the coal severance tax is $244.5 million, a decline of 16.5 percent. Compared to the official estimate from May 2009, the coal severance estimate has fallen $32.5 million. The primary reason for the downward revision is a reduction in the outlook for coal prices and energy prices in general.

Cigarette taxes totaled $74.3 million in the first quarter, up $32.8 million over the first quarter of FY09. For FY10, collections are expected to rise 32.0 percent due to the doubling of the tax rate from 30 cents to 60 cents per pack. While it is too early to compute elasticities from the tax increase, it does appear that there were very modest consumption declines in line with the projections. The rate of growth for the remainder of FY10 diminishes off the torrid pace set in the first quarter, but such a slowdown is expected in recognition that the higher tax rates took effect in April 2009, and also in recognition of nearly $16.3 million in floor stock taxes collected in FY09 that will not be collected in FY10. Other tobacco taxes are expected to show similar growth to the anticipated increases in the cigarette tax.

Property tax collections are expected to fall marginally in FY10. The rate of decline in property tax revenues was 5.7 percent in the first quarter, but the first quarter is typically undercollected since the largest source of property tax revenue is the real property tax which accrues later in the year. In July, the Department of Revenue announced that the ad valorem rate on real property would remain unchanged at 12.2 cents per $100 in valuation due to weak assessment growth. A lack of new property accumulation, coupled with a persistent gap between billings and collections, both point toward weak growth in real property tax receipts over the forecasting period. Property tax revenues are expected to rise 0.4 percent in the final three quarters of FY10 for total collections of $511.3 million. Property tax collection in FY09 were $513.1 million.

Lottery revenues for FY10 are projected to be $202.0 million, an amount 4.4 percent higher than the amount collected in FY09. Revenues in the "Other" category fell 4.6 percent in the first quarter with an additional 0.8 percent slide predicted for the next three fiscal quarters. Expected modest growth in the wholesale alcohol taxes, the bank franchise tax, and insurance premium taxes will be counterbalanced by weaknesses in mineral taxes, pari-mutuel taxes, other miscellaneous revenues.

ROAD FUND

Road Fund revenues are forecasted to decline 1.2 percent over the remaining three quarters of FY10 as shown on Table 6 below. The two largest Road Fund accounts, motor fuels and motor vehicle usage, are expected to move in opposite directions as motor fuels will increase and usage taxes are forecasted to continue their decline.

Motor fuels tax receipts are forecasted to grow 2.8 percent in the last three quarters of FY10. This is due principally to a change in forecasted average wholesale gasoline prices and its effect on the statutory rate of the motor fuels tax. A higher average wholesale price of gasoline will raise the variable portion of the motor fuels tax rate, generating increased tax revenues.

Motor vehicle usage tax collections are expected to fall 6.3 percent in the final nine months of FY10. Receipts declined 6.3 percent in the first quarter and will remain weak through the end of the fiscal year due to tight consumer credit conditions and legislative action. House Bill 3, passed during the 2009 Special Session of the General assembly, exempts from tax the value of trade-ins on new vehicle purchases, depressing tax collections.

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 assessed recent growth patterns as well as administrative and statutory factors to formulate the projections. Motor vehicle license taxes are forecasted to decrease 4.3 percent in the final three quarters of FY10. Motor vehicle operators' licenses are projected to rise 9.9 percent in the remainder of the fiscal year. Weight distance tax revenue should fall 1.8 percent for the remainder of the fiscal year. Investment income should fall 78.9 percent due to lower fund balances. All other revenues should combine for a growth of 6.5 percent during the last nine months of FY10.

Table 6
Road Fund: Interim Forecast
(millions of dollars)
October 2009

	FY10 Quarter 1		FY10 Quarters 2, 3 & 4		FY10 Full Year	
	Actual	% Chg Year Ago	Interim Estimate	% Chg Year Ago	Interim Estimate	% Chg Year Ago
Motor Fuels & MF Use/Surtax	162.2	2.7	477.3	2.8	639.5	2.7
Motor Vehicle Usage & Rental	93.7	-6.3	221.4	-6.3	315.1	-6.3
Motor Vehicle License	17.0	-3.5	77.1	-4.3	94.1	-4.2
Motor Vehicle Operators	4.2	-0.3	12.4	9.9	16.6	7.1
Weight Distance Tax/Surtax	17.4	-16.1	53.7	-1.8	71.1	-5.7
Investment	1.3	-51.3	1.7	-78.9	3.0	-72.0
Other	6.8	-21.9	26.3	6.5	33.1	-0.9
Road Fund	**302.6**	**-3.0**	**869.9**	**-1.2**	**1,172.5**	**-1.6**

ECONOMY

The economic outlook presented here is for the three-quarter period from October 2009 through June 2010, inclusive. This period corresponds to the final three fiscal quarters of FY10.

Due to the recent meetings of the Consensus Forecasting Group (CFG), this report will deviate slightly from our recent pattern of strictly using the control, or baseline, forecast from Global Insight in the quarterly reports. Global Insight is the independent forecasting consultant used by Kentucky and approximately 35 other states to obtain exogenous forecasts of over 500 variables in the national economy. These variables are the primary drivers in our state economic model, as most state economies are correlated in some way with various national economic trends after adjusting for state fixed effects and noncontemporaneous relationships.

The CFG met on September 25, 2009, and again on October 12, 2009, to deliberate over the current economic conditions and expectations for the upcoming biennium. In particular, the CFG noted that Kentucky's economy tends to lag the national economy in the recovery period following recessions. Furthermore, it was noted that the national recovery was concentrated in economic sectors (like production, national consumer spending) that were not as directly correlated with Kentucky revenues (like Kentucky employment, wages, and total personal income). Therefore, the CFG ultimately adopted an equal blend of the control and pessimistic scenarios in the formation of the October preliminary estimates. As such, this

Table 7
US Economic Outlook
Quarters 2, 3, & 4
October 2009

	Q2, Q3, & Q4			Full Year	
	FY10	FY09	% Chg	FY10	% Chg
Real GDP ($ billions)	13,054.8	12,986.6	0.5	13,037.9	-0.3
Real Consumption ($ billions)	9,252.1	9,197.1	0.6	9,247.2	0.4
Real Investment ($ billions)	1,646.2	1,623.2	1.4	1,613.8	-5.9
Real Govt. Expenditures ($ billions)	2,602.6	2,545.9	2.2	2,599.3	2.2
Real Exports ($ billions)	1,468.2	1,473.0	-0.3	1,462.9	-3.7
Real Imports ($ billions)	1,931.7	1,869.4	3.3	1,902.8	-1.7
Personal Income ($ billions)	12,097.2	12,057.7	0.3	12,064.9	-0.4
Inflation (% chg of CPI)	0.6	-0.8	NA	0.3	NA
Industrial Production Index (% chg)	-0.7	-7.2	NA	-1.8	NA
Civilian Labor Force (millions)	154.4	154.5	-0.1	154.4	-0.1
Total Nonfarm Employment (millions)	130.5	133.8	-2.5	130.7	-2.9
Manufacturing Employment (millions)	11.5	12.5	-8.3	11.5	-9.3
Unemployment Rate (percent)	10.1	8.1	NA	10.0	NA

Not Seasonally Adjusted. Real series are in billions of chained 2000 dollars.
GDP components may not sum due to rounding at lower levels of detail.
Source: IHS Global Insight Inc., September 3, 2009 data release

report assumes the same blend of economic and revenue variables as used by the CFG.

National Economy

The Global Insight forecasts considered for this report underscore the difficulty of pegging future movements of the national economy, or even the state economy, during a period of time that includes a turning point from a recession to an ultimate recovery. Few economists dispute the pending national recovery. The duration of the actual trough and the "slope" of the upswing, on the other hand, continue to be hotly contested. In plainest terms, the control scenario assumes that the recent improvements in key economic variables will set the stage for a robust recovery, beginning either now for some variables or in the next few quarters for others. In contrast, the pessimistic scenario is aptly named "False Dawn". It is predicated upon a belief that some of the recent improvements may not lead to an immediate recovery until a longer series of inventory adjustments can rebase the economy, and until producers see the temporary increase in aggregate demand transition into a more sustained period of stable demand for the goods and services of industry. For example, the highly-touted manufacturer's new orders index recently eclipsed the coveted 50-mark, a sign of expansion in the manufacturing sector. Will the recent movement be sustainable beyond the immediate period where many sectors are replenishing inventories that have been depleted during special economic events such as the Federal "Cash for Clunkers" program, or will the index retreat following the inventory correction phase? By blending the two forecasts, the outlook will be based on an economic scenario that indeed predicts a recovery but not an immediate and robust reversal of current trends. As the foregoing analysis will convey, many variables, especially labor market indicators, have further to fall before the recovery stage can take root.

Due to the depth and duration of the current recession, a clean and robust recovery appears unlikely. Rather, the economy appears poised to move sideways until economic agents can more positively identify that the tide has turned. Businesses, faced with slumping current sales, will continue to be exceedingly cautious about expanding production and employment. Moreover, caution about current production decisions seems to be bleeding over into extreme caution about future production plans, which will further delay any meaningful rebound in business planned investment.

An examination of the blended projections provides a quantitative depiction of the aforementioned narrative. As Table 7 shows, the final three quarters of FY10 are expected to produce GDP growth of 0.5 percent in the blended forecast, thus ending the period of declining national production. However, personal income is only expected to grow by a tepid 0.3 percent, which is well below historical growth in recovery periods. More importantly, employment is expected to *decline* 2.5 percent in the next three quarters, representing national employment losses of 3.3 million. Manufacturing employment losses represent 1.0 million of the total employment decline.

Eventually production increases will lead to a rebound in employment, but not until excess capacity has been eliminated. In early reports it was posited that new orders for finished goods could rise before aggregate demand rises due to the depletion and replenishment of inventories. The same concept is true of the current uptick in national production.

Many businesses have excess capacity that accumulated during the recession. This excess capacity allows businesses to produce more in the short run without necessarily hiring more labor and utilizing additional capital. Eventually the production function will prevail (a relationship that only allows production to increase by increasing labor and capital inputs), but it is certainly plausible to expect the employment recovery to lag the production data. Traditional theories of the firm assume starting in equilibrium, where production capacity is assumed fully utilized, so the current macroeconomic trends are more an acknowledgment of excess capacity rather than a counterproof to established theories of production.

Kentucky Economy

The short-run outlook for the Kentucky economy is dominated by weaknesses in the employment sector. Kentucky employment is expected to fall 2.3 percent during the final three quarters of FY10, as shown in Table 8. Goods-producing sectors will experience the most pronounced weakness. Construction employment is expected to fall 11.3 percent for the remainder of FY10 as the economy tries to work through large inventories of commercial real estate and vacancies. Manufacturing employment is expected to fall 8.4 percent, or 18,600 positions, during the same period. Losses in the goods-producing sectors are especially hard on the state economy due to the profound effect that these sectors have on supporting businesses that rely on a robust regional economy as their customer base.

The weak short-term employment outlook corresponds to similar weakness on the personal income front. Kentucky personal income is expected to rise an anemic 0.8 percent, but wage and salary income is expected to *fall* 0.9 percent in the blended forecast for the next three quarters. Wage and salary income comprises approximately 52 percent of state personal income. The second largest category of Kentucky personal income is transfer payments, which represent approximately 24 percent of personal income in FY10. Transfer payments are expected to increase 8.8 percent in FY10. The rate of growth in transfer payments, and the percentage of total income, both exceed the corresponding national data. This partially explains why the Kentucky personal income growth is expected to exceed that national rate of growth despite the underlying weakness in Kentucky wage and salary income growth.

The path to recovery for the Kentucky economy traverses the same terrain as the national economy. Production will eventually increase, excess capacity will be worked through, and then higher sustained demand for goods and services will trigger a period of employment and business investment. Unfortunately, the end of the path and the recovery in employment is not projected to be reached during the three-quarter span of this interim report. The Office of State Budget Director will monitor all data regarding the Kentucky labor markets looking for signals that the corrections phase of the employment cycle is underway.

Table 8
Kentucky Economic Outlook
Quarters 2, 3, & 4
October 2009

	Q2, Q3, & Q4			Full Year	
	FY10	**FY09**	**% Chg**	**FY10**	**% Chg**
Personal Income ($ millions)	138,178.7	137,067.2	0.8	137,964.7	0.8
Wages and Salary Income ($ millions)	72,013.2	72,686.2	-0.9	71,944.1	-1.3
Nonagricultural Employment (thousands)	1,765.9	1,806.8	-2.3	1,768.0	-2.8
Goods Producing (thousands)	294.1	321.5	-8.5	295.6	-10.3
Construction	66.4	74.9	-11.3	66.9	-13.5
Mining	25.0	25.4	-1.4	25.2	0.2
Manufacturing	202.6	221.2	-8.4	203.5	-10.3
Service Providing (thousands)	1,151.0	1,165.2	-1.2	1,151.7	-1.5
Trade, Transportation & Utilities	361.4	373.9	-3.3	362.3	-3.7
Information	28.3	29.5	-3.9	28.5	-3.7
Finance	89.4	90.9	-1.7	89.6	-1.7
Business Services	177.2	178.4	-0.7	177.2	-1.3
Educational Services	249.1	246.0	1.3	248.7	1.2
Leisure and Hospitality Services	171.9	173.2	-0.8	171.8	-0.8
Other Services	73.8	73.3	0.7	73.6	-0.1
Government (thousands)	320.8	320.1	0.2	320.7	0.1

Seasonally adjusted annual rate.
Source: IHS Global Insight Inc. and Governor's Office for Economic Analysis MAK model, September 2009

APPENDIX

KENTUCKY STATE GOVERNMENT - GENERAL FUND REVENUE

	First Quarter FY 2010	First Quarter FY 2009	% Change
TOTAL GENERAL FUND	**1,968,453,450**	**2,084,910,078**	**-5.6%**
Tax Receipts	1,899,098,174	2,020,580,152	-6.0%
Sales and Gross Receipts	848,152,069	870,858,767	-2.6%
Beer Consumption	1,734,290	1,754,302	-1.1%
Beer Wholesale	14,443,895	14,550,916	-0.7%
Cigarette	74,188,631	41,412,129	79.1%
Distilled Spirits Case Sales	27,201	27,683	-1.7%
Distilled Spirits Consumption	2,709,843	2,895,426	-6.4%
Distilled Spirits Wholesale	6,804,743	7,138,166	-4.7%
Insurance Premium	27,685,914	31,198,941	-11.3%
Pari-Mutuel	(1,550,912)	607,836	---
Race Track Admission	92,698	121,628	-23.8%
Sales and Use	693,895,478	751,428,090	-7.7%
Wine Consumption	580,280	375,761	54.4%
Wine Wholesale	2,887,009	2,512,852	14.9%
Telecommunications Tax	19,060,855	14,562,276	30.9%
OTP	5,456,403	2,272,762	140.1%
Floor Stock Tax	135,740	0	---
License and Privilege	108,115,576	104,553,209	3.4%
Alc. Bev. License Suspension	68,350	101,400	-32.6%
Coal Severance	66,843,188	72,674,552	-8.0%
Corporation License	678,533	1,089,515	-37.7%
Corporation Organization	101,730	12,615	706.4%
Occupational Licenses	41,317	62,480	-33.9%
Oil Production	1,843,509	4,004,923	-54.0%
Race Track License	112,500	172,500	-34.8%
Bank Franchise Tax	(165,750)	(3,376,114)	---
Driver License Fees	156,963	160,551	-2.2%
Minerals Severance	3,627,032	4,190,886	-13.5%
Natural Gas Severance	4,277,040	13,570,778	-68.5%
Limited Liability Entity	30,531,165	11,889,122	156.8%
Income	863,467,596	959,032,081	-10.0%
Corporation	49,041,270	82,372,047	-40.5%
Individual	814,426,326	876,660,034	-7.1%
Property	$60,134,196	$63,763,104	-5.7%
Building & Loan Association	91,143	228,467	-60.1%
General - Real	134,803	270,689	-50.2%
General - Tangible	22,343,478	37,703,936	-40.7%
Omitted & Delinquent	13,355,891	12,240,028	9.1%
Public Service	23,521,697	12,738,260	84.7%
Other	687,184	581,724	18.1%
Inheritance	$11,168,896	$13,019,297	-14.2%
Miscellaneous	$8,059,842	$9,353,695	-13.8%
Legal Process	5,779,530	6,180,588	-6.5%
T. V. A. In Lieu Payments	2,279,819	3,165,484	-28.0%
Other	493	7,623	---
Nontax Receipts	$68,434,525	$64,610,930	5.9%
Departmental Fees	7,498,852	6,216,916	20.6%
PSC Assessment Fee	8,210,157	9,354,102	-12.2%
Fines & Forfeitures	7,485,475	7,372,509	1.5%
Interest on Investments	199,721	1,155,631	-82.7%
Lottery	44,000,000	43,000,000	2.3%
Sale of NOx Credits	460,780	0	---
Miscellaneous	579,540	(2,488,228)	---
Redeposit of State Funds	$920,751	($281,005)	---

KENTUCKY STATE GOVERNMENT - ROAD FUND REVENUE

	First Quarter FY 2010	First Quarter FY 2009	% Change
TOTAL ROAD FUND	**$302,616,105**	**$311,972,993**	**-3.0%**
Tax Receipts-	$296,144,029	$303,190,348	-2.3%
Sales and Gross Receipts	$255,861,906	$257,971,666	-0.8%
Motor Fuels Taxes	162,170,900	157,975,206	2.7%
Motor Vehicle Usage	93,691,006	99,996,460	-6.3%
License and Privilege	$40,282,123	$45,218,682	-10.9%
Motor Vehicles	17,023,190	17,644,064	-3.5%
Motor Vehicle Operators	4,242,956	4,255,424	-0.3%
Weight Distance	17,387,559	20,713,520	-16.1%
Truck Decal Fees	29,437	43,810	-32.8%
Other Special Fees	1,598,981	2,561,864	-37.6%
Nontax Receipts	$6,226,500	$8,487,536	-26.6%
Departmental Fees	4,564,483	5,397,125	-15.4%
In Lieu of Traffic Fines	225,982	245,178	-7.8%
Investment Income	1,313,006	2,694,178	-51.3%
Miscellaneous	123,030	151,055	-18.6%
Redeposit of State Funds	$245,576	$295,108	-16.8%