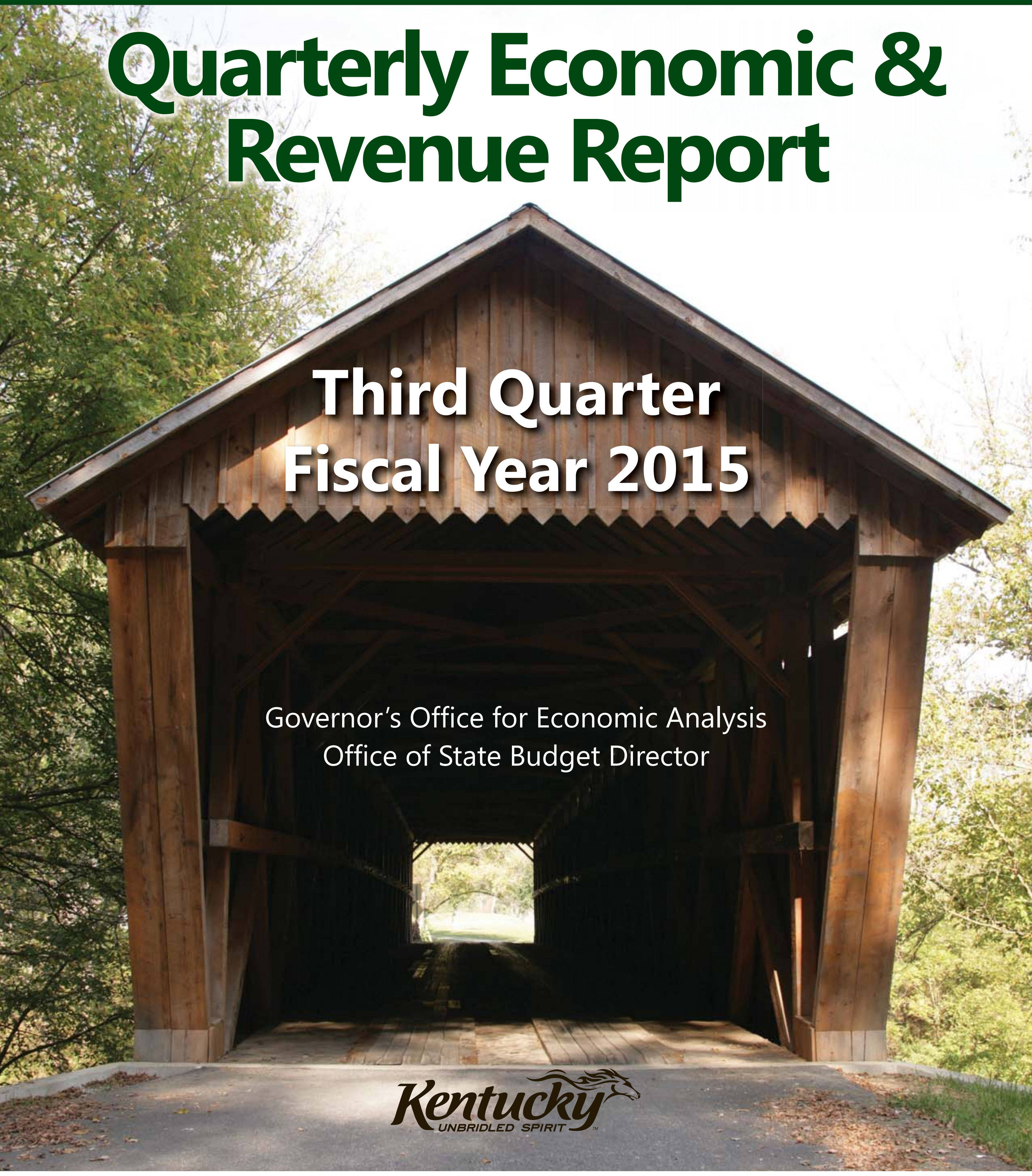
COMMONWEALTH OF KENTUCKY

Quarterly Economic & Revenue Report

Third Quarter Fiscal Year 2015



Governor's Office for Economic Analysis
Office of State Budget Director

Kentucky
UNBRIDLED SPIRIT

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Steven L. Beshear
Governor

Jane C. Driskell
State Budget Director

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Governor's Office for Economic Analysis
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April 30, 2015

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

Dear Governor Beshear:

This Quarterly Economic and Revenue Report summarizes the revenue and economic statistics for the third quarter of Fiscal Year 2015 (FY15). It also provides an interim economic and revenue forecast for the next three fiscal quarters.

General Fund receipts in the third quarter of FY15 totaled $2,279.9 million compared to $2,162.9 million in the third quarter of FY14, for an increase of $117.0 million or 5.4 percent. Through the first three quarters of the fiscal year, receipts have increased 4.1 percent. The official revenue estimate calls for 3.6 percent revenue growth for FY15. To meet the official estimate, receipts must grow 2.2 percent over the last three months of FY15.

General Fund revenue accounts are heading into the fourth fiscal quarter with substantial momentum. General Fund revenue collections increased 5.4 percent in the third quarter of FY15 following an equally solid 5.8 percent growth rate in the second quarter. With only three months remaining in the fiscal year, prospects of achieving the official revenue estimate are solid. This unofficial report predicts that FY15 receipts will total $9,847.3 million for a General Fund excess of $46.1 million.

Road Fund revenue decreased 2.0 percent in the third quarter of FY15. Receipts totaled $378.3 million compared to the $386.1 million received in the third quarter of the last fiscal year. Through the first nine months of FY15, receipts have increased 0.1 percent. Growth rates for the first three quarters of the fiscal year were 1.8, 0.5 and -2.0 percent, respectively.

Revenues can fall 3.7 percent for the remainder of FY15 and still meet the estimate. The unofficial forecast included in this quarterly report calls for FY15 Road Fund receipts to equal $1,535.6 million, some $11.1 million lower than the official estimate.

Sincerely,

Jane C. Driskell
State Budget Director

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Executive Summary

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) has prepared a Quarterly Economic and Revenue Report for the third quarter of FY15. As required by law, 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.

This third edition of the Quarterly Report presents the unofficial General Fund and Road Fund estimates for the final quarter of the fiscal year as well as a first look at the opening two quarters of the upcoming FY16.

To fulfill the requirement to provide an update on current economic conditions, two sections of narrative information are included in this report. The first section profiles the most recent history of the US and Kentucky economies. Later, in the outlook section of the report, a three quarter outlook is provided using the control forecast from the March 2015 IHS Global Insight as well as the Kentucky Macroeconomic Model (MAK) which is developed, maintained and operated by the OSBD.

Some of the highlights of this report are summarized here. For greater detail, please refer to the relevant portions of the report.

- Third quarter General Fund receipts increased $117.0 million, or 5.4 percent over the third quarter of FY14. This robust growth follows a second quarter in which General Fund revenues grew 5.8 percent. Strong growth in the income taxes, as well as the sales tax, was more than enough to offset the declines in many other General Fund accounts.

- The unofficial estimate generated in this report for the FY15 General Fund is $9,847.3 million, $46.1 million higher than the official revenue estimate for FY15 (see Table 6). Growth in General Fund receipts is expected to increase slightly to 4.1 percent in the final quarter of FY15 before tapering back to a rate of 2.7 percent in the first half of FY16.

- Road Fund tax collections fell 2.0 percent in the third quarter of FY15 compared to receipts in the same time frame last year. Both of the largest two Road Fund accounts, motor fuels taxes and motor vehicle usage tax, experienced quarterly declines.

- The change in Road Fund revenues is expected to be negative over the last quarter of FY15 and fall 10.3 percent in the first half of FY16. The unofficial estimate for the FY15 Road Fund is $11.1 million less than the enacted official estimate.

- The national economy, as measured by real gross domestic product (real GDP), grew at a rate of 3.5 percent in the third quarter of FY15. Real GDP growth was spurred by an 8.4 percent jump in real investment and a 3.3 percent increase in real consumption. Real export growth of 4.4 percent was overshadowed by a 5.4 percent increase in real imports. The US saw a net increase of 1.3 million jobs in the third quarter of FY15.

- State economic growth in the third quarter was solid despite unusually harsh weather conditions that slowed economic activity. Kentucky personal income rose 5.1 percent in the third quarter of FY15, continuing its positive trend. Wage and salary growth measured 6.0 percent while transfer payments grew 5.4 percent. Combined gains in these these two sources of Kentucky personal income made up 83.8 percent of the third quarter gains in personal income. Employment growth was 2.4 percent and the Kentucky economy has added 44,800 jobs in the last four quarters.

Revenue Receipts

GENERAL FUND

General Fund receipts in the third quarter of FY15 totaled $2,279.9 million compared to $2,162.9 million in the third quarter of FY14, for an increase of $117.0 million or 5.4 percent. Through the first three quarters of the fiscal year, receipts have increased 4.1 percent. The official revenue estimate calls for 3.6 percent revenue growth for the fiscal year. To meet the official estimate, receipts must grow 2.2 percent over the last three months of FY15.

Revenues increased 5.4 percent in the third quarter of FY15 following an equally solid 5.8 percent growth rate in the second quarter. These growth rates were generated largely by high growth in the two largest sources of General Fund revenue – the individual income tax and sales tax. Since 2006, fiscal quarters in which General Fund revenue growth has exceeded five percent are somewhat uncommon. Two consecutive quarters over the five percent mark is a noteworthy signal that General Fund revenue growth is responding to the improvements in the economy.

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

Individual income tax receipts increased 9.3 percent in the third quarter of FY15. Receipts of $840.2 million were $71.8 million more than was collected in the third quarter of the previous fiscal year. Withholding, declarations receipts and net payments with returns all improved from last year. Total collections have grown 7.3 percent through the first nine months of FY15.

Table 1
Summary General Fund Receipts
$ millions

	FY15 Q3	FY14 Q3	Diff $	Diff %
Individual Income	840.2	768.4	71.8	9.3
Sales and Use	785.9	761.4	24.5	3.2
Property	134.3	138.3	-4.0	-2.9
Corporation Income	86.7	61.2	25.6	41.8
Coal Severance	40.6	44.8	-4.1	-9.2
Cigarette Taxes	49.6	51.8	-2.2	-4.3
LLET	42.1	36.5	5.6	15.3
Lottery	55.5	53.5	2.0	3.7
Other	245.0	247.0	-2.1	-0.8
Total	**2,279.9**	**2,162.9**	**117.0**	**5.4**

Sales and use tax receipts for the quarter were $785.9 million, compared to $761.4 million in the third quarter of FY14. The $24.5 million difference translates to an increase of 3.2 percent. Year-to-date sales and use tax receipts have increased 4.1 percent.

Property taxes were down 2.9 percent in the third quarter of FY15 due to the timing of collections in the tangible and public service property accounts. Collections of $134.3 million compare to $138.3 million received in the third quarter of the prior fiscal year. In general, property taxes have been very slow in recovering losses from the 2007 recession where the valuations on all types of property plummeted.

Corporation income tax posted an increase of 41.8 percent, or $25.6 million, during the third quarter of FY15. Receipts totaled $86.7 million compared to the $61.2 million received a year earlier. Year-to-date, collections have increased 1.3 percent.

The coal severance tax continued to decrease in the third quarter as receipts fell 9.2 percent. Receipts of $40.6 million compare to $44.8 million collected in the third quarter of FY14. Tax receipts have decreased 7.2 percent through the first nine months of the fiscal year.

Receipts for cigarette taxes decreased in the third quarter. Receipts of $49.6 million were 4.3 percent below that collected in the third quarter of FY14. Year-to-date, cigarette tax receipts have fallen 4.2 percent due to a continued decline in the number of packs sold.

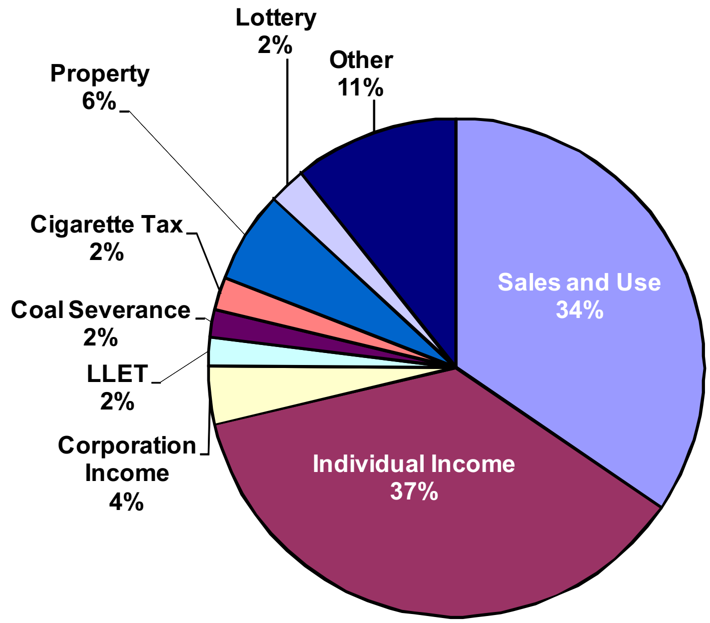
The limited liability entity tax (LLET) registered a $5.6 million increase in tax collections in the third quarter of FY15 when compared to FY14. Total collections in the current fiscal year stand at $125.1 million compared to $130.5 million in the same period a year earlier.

Lottery receipts of $55.5 million were 3.7 percent above last year's third quarter total of $53.5 million.

The "Other" category represents the remaining accounts in the General Fund, and collections in this account decreased 0.8 percent with receipts of $245.0 million. The major components in this category include insurance premium, bank franchise, telecommunications, beer wholesale taxes and inheritance tax.

Figure 1 details the composition of third-quarter General Fund receipts by tax type. Seventy-one percent of General Fund revenues were collected in the areas of the individual income and the sales tax. The next largest source of revenue was the "Other" account at 11 percent. Property tax accounted for six percent. Corporation income accounted for four percent. Finally Lottery receipts, cigarette, LLET and coal severance taxes each accounted for two percent.

Figure 1
General Fund Receipts Composition
Third Quarter, FY15



ROAD FUND

Road Fund revenue decreased 2.0 percent in the third quarter of FY15. Receipts totaled $378.3 million compared to the $386.1 million received in the third quarter of the last fiscal year. Through the first nine months of FY15, receipts have increased 0.1 percent. Growth rates for the first three quarters of FY15 are 1.8, 0.5 and -2.0 percent, respectively. Summary data are contained in Table 2 and detailed data are shown in the Appendix.

Table 2
Summary Road Fund Receipts
$ millions

	FY15 Q3	FY14 Q3	Diff $	Diff %
Motor Fuels	199.6	210.7	-11.2	-5.3
Motor Vehicle Usage	107.7	108.8	-1.1	-1.0
Motor Vehicle License	34.6	33.5	1.2	3.4
Motor Vehicle Operators	3.8	4.0	-0.1	-3.6
Weight Distance	19.7	19.0	0.7	3.6
Income on Investments	1.3	1.3	0.0	3.7
Other	11.5	8.8	2.7	30.7
Total	**378.3**	**386.1**	**-7.9**	**-2.0**

Motor fuels tax receipts decreased 5.3 percent during the third quarter of FY15. Receipts were $199.6 million and compare to $210.7 million collected during the third quarter of last year. Through the first nine months of FY15 Motor fuels fell 1.0 percent due to declines in the variable portion of the tax rate.

Motor vehicle usage tax receipts decreased 1.0 percent, or $1.1 million, during the third quarter. Receipts were $107.7 million compared to $108.8 million collected during the same period last year. Through the first nine months of FY15, Motor vehicle usage tax fell only 0.8 percent.

Motor vehicle license tax receipts were up 3.4 percent during the third quarter of FY15. Receipts of $34.6 million compare to $33.5 million received during the third quarter of FY14.

Motor vehicle operators' license fees totaled $3.8 million, a 3.6 percent decreased compared to the level observed a year ago.

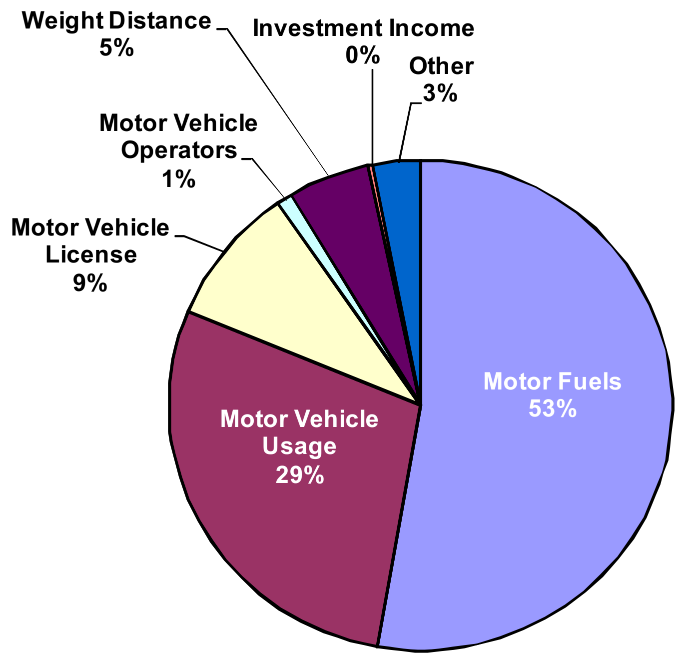
Weight distance tax receipts of $19.7 million increased 3.6 percent compared to receipts collected during the third quarter of last year. The weight distance tax has some significance as a leading indicator of economic activity, as it is a good proxy for goods in transit over Kentucky highways.

Investment income receipts totaled $1.3 million, a 3.7 percent increased compared to the level observed a year ago.

The remainder of the accounts in the Road Fund combined for an increase of 30.7 percent. Receipts for the "Other" category totaled $11.5 million during the third quarter, compared to $8.8 million in the third quarter of FY14.

Figure 2 details the composition of Road Fund revenues by tax type in the third quarter of FY15. Motor fuels taxes and the motor vehicle usage tax accounted for 82 percent of Road Fund revenues in the third quarter. The next-largest sources of revenue were the motor vehicle license tax with nine percent followed by weight distance with five percent. The "Other" category accounted for three percent, while motor vehicle operators' license fees comprised one percent.

Figure 2
Road Fund Receipts Composition
Third Quarter, FY15



The Economy
Third Quarter FY15

NATIONAL ECONOMY

Real gross domestic product (real GDP) rose by 3.5 percent in the third quarter of FY15. Real GDP is the sum of all final goods and services sold within a country's physical boundaries in a given year and explicitly excludes those goods and services which are produced by US citizens in other countries. Third quarter growth has greatly increased this year. In FY13, third quarter real GDP growth was 1.7 percent and in FY14, real GDP growth was 1.9 percent. Real GDP is composed of five components: consumption, investment, government expenditures, exports and imports. Imports are a deduction from real GDP, not an addend.

Real consumption grew by 3.3 percent in the third quarter of FY15. This is the highest annual growth rate for real consumption since the end of the recession. Real consumption was the largest net contributor to real GDP, adding $353.2 billion in the third quarter. Consumption gains make up over 60 percent of the gains in real GDP in the third quarter. Real consumption is the largest component of real GDP, making up 68.3 percent of real GDP.

Table 3
Summary of US Economic Series
Third Quarter FY15 & FY14

	Third Quarter			
	FY15	FY14	Chg	% Chg
Real GDP	16,383.4	15,831.7	551.7	3.5
Real Consumption	11,197.5	10,844.3	353.2	3.3
Real Investment	2,806.6	2,588.2	218.4	8.4
Real Govt. Expenditures	2,901.3	2,868.5	32.8	1.1
Real Exports	2,115.2	2,026.9	88.3	4.4
Real Imports	2,608.7	2,474.1	134.6	5.4
Inflation (% chg CPI)	-0.3	1.4	NA	NA
Industrial Production Index (% chg)	3.9	3.3	NA	NA
Civilian Labor Force (millions)	157.1	155.8	1.4	0.9
Unemployment Rate (%)	5.5	6.6	NA	NA

Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.
Components do not sum to GDP because they are annualized independently.
Data for FY15 Q3 are March 2015 estimates.
Source: IHS Global Insight Inc., March 10, 2015 data release

Real investment grew by 8.4 percent in the third quarter of FY15. This is the highest growth rate among the real GDP components. Despite this high annual growth rate, quarterly real investment growth has been tapering over the last four quarters. Adjacent-quarter growth over the last four quarters has been 4.5, 1.7, 1.3 and 0.8 percent, respectively. Real investment surpassed its pre-recession peak in the second quarter of FY15. Real investment declined significantly due to the 2007 recession and therefore it took a particularly long time for real investment to return to its pre-recession peak. Real investment makes up 17.1 percent of real GDP.

Real government expenditures rose by 1.1 percent in the third quarter of FY15. Real government expenditures have oscillated over the last three years, increasing six times and decreasing six times. On net, real government expenditures have decreased slightly since the fourth quarter of FY12, falling 1.8 percent, but the pattern of oscillation continues. Real government expenditures make up 17.7 percent of real GDP.

Real exports increased by 4.4 percent in the third quarter of FY15. However, real exports decreased by 0.3 percent compared to the second quarter of FY15. Real exports decreased in the third quarter in each of the last three years, -0.2, -2.4 and -0.3 percent, respectively. Real imports increased by 5.4 percent in the third quarter of FY15. Strong real import growth is largely responsible for the increase in the trade deficit over the last several quarters. The trade deficit, which is imports minus exports, has increased from $431.3 billion in the first quarter of FY15 to $493.5 billion in the third quarter. This is the highest level of the trade deficit since the first quarter of FY11.

US personal income grew by 4.2 percent in the third quarter of FY15. That is the fifth quarter in a row with growth over 3.5 percent. Wages and salaries income and transfer receipts were the two components which contributed the most to strong personal income growth. Wages and salaries income grew by 4.4 percent in the third quarter, while transfer receipts grew by 5.4 percent. Combined, these two components added $457 billion to US personal income. This accounts for over two-thirds of personal income growth in the third quarter. The other three contributing components increased for the quarter by just over 3.0 percent each.

US non-farm employment increased by 2.4 percent in the third quarter of FY15, a net increase of 3.3 million jobs. This is the fourth consecutive quarter of strong employment growth. Over the last four quarters, non-farm employment has increased by 800,000, 700,000, 900,000, and 900,000 jobs, respectively on an adjacent-quarter basis. Business services employment was the largest contributor to non-farm employment absolute terms, gaining 700,000 jobs. Trade, transportation and utilities services employment grew by 600,000 jobs. Both educational services and leisure and hospitality services each gained 500,000 jobs in the third quarter. All 11 supersectors added jobs in the third quarter relative to the third quarter of FY14.

KENTUCKY ECONOMY

Kentucky personal income grew by 5.1 percent in the third quarter of FY15. Growth over the last four quarters did not occur evenly across the quarters. Adjacent-quarter growth for the last four quarters was 1.5, 0.7, 2.2 and 0.6 percent, respectively. So the majority of the growth occurred from third quarter of FY14 to fourth quarter of FY14 and from first quarter of FY15 to the second quarter of FY15. Similar to the US distribution of gains, wages and salaries income and transfer receipts made up the majority of the gains in personal income in the third quarter. Wages and salaries increased by 6.0 percent in the third quarter, while transfer receipts income increased by 5.4 percent. The gains in these two components made up 83.8 percent of the gains in total Kentucky personal income in the third quarter. Again, similar to the US, all five components contributing to personal income grew in the third quarter.

Kentucky non-farm employment increased by 2.4 percent in the third quarter of FY15. Adjacent-quarter growth slowed considerably in the third quarter. Adjacent-quarter growth over the last four quarters was 0.87, 0.78, 0.81 and -0.04 percent, respectively. Non-farm employment from the second quarter of FY15 to the third quarter of FY15 declined by 800 jobs. Additionally, non-farm employment in the third quarter of FY15 declined off of a low base, as non-farm employment in the third quarter of FY14 had also fallen by 0.5 percent.

The 2.4 percent increase in Kentucky non-farm employment over the last four quarters represents a net 44,800 improvement in jobs. The largest percentage contributor to that employment growth was leisure and hospitality services employment, which grew by 5.9 percent. The largest absolute contributor to non-farm employment was trade, transportation and utilities services employment, which grew by 14,300 net jobs. Nine of the eleven supersectors grew in the third quarter.

Construction employment decreased by 1.9 percent and other services employment decreased by 1.2 percent in the third quarter. Construction employment has decreased by a net 20,400 jobs since the 2007 recession; a loss of 23.7 percent in the industry. Construction employment increased on an adjacent-quarter basis for the last two quarters gaining 800 and 1,600 jobs respectively in the last two quarters. It is still not clear if the labor market for construction has found a bottom.

The labor market for other services employment has also been affected, although not as severe as construction. Other services employment has declined by a net 10,800 jobs following the end of the 2007 recession, a net 14.3 percent loss. On an adjusted-quarter basis, other services employment has declined in three of the last four quarters.

Table 4
Personal Income
SAAR

	Q3			
	FY15	**FY14**	**$ Diff**	**% Diff**
United States ($ billions)				
Personal Income	15,089	14,485	605	4.2
Social Insurance	1,195	1,147	48	4.2
Residence Adjustments	-591	-574	-17	NA
Dividends, Interest and Rents	2,805	2,713	91	3.4
Transfer Receipts	2,604	2,471	133	5.4
Wages & Salaries	7,664	7,340	324	4.4
Supplements to W&S	2,404	2,330	74	3.2
Proprietor's Income	1,398	1,351	47	3.5
Kentucky ($ millions)				
Personal Income	170,855	162,634	8,221	5.1
Social Insurance	13,946	13,331	614	4.6
Residence Adjustments	-2,048	-1,802	-245	NA
Dividends, Interest and Rents	26,542	25,608	934	3.6
Transfer Receipts	40,322	38,241	2,082	5.4
Wages & Salaries	84,963	80,153	4,810	6.0
Supplements to W&S	21,821	20,898	924	4.4
Proprietor's Income	13,200	12,868	331	2.6

Social Insurance is a deduction from Personal Income. US Social Insurance includes the Employer-paid portion of Social Insurance taxes.
Source: IHS Global Insight Inc., March 10, 2015 data release and KY MAK Model, March 2015

Table 5
Summary of US & KY Employment
Third Quarter FY15 & FY14

	Q3 US (millions)			Q3 KY (thousands)		
	FY15	FY14	% Chg	FY15	FY14	% Chg
Non-farm Employment	141.1	137.8	2.4	1,876.1	1,831.4	2.4
Goods-producing	19.6	19.0	2.9	314.4	310.8	1.2
Construction	6.3	6.0	5.2	65.6	66.9	-1.9
Mining	0.9	0.9	2.3	17.7	17.5	1.1
Manufacturing	12.3	12.1	1.8	231.1	226.4	2.1
Service-providing	99.6	97.0	2.7	1,222.3	1,181.6	3.4
Trade, Transportation & Utilities	26.8	26.2	2.4	381.2	366.9	3.9
Information	2.8	2.7	2.1	26.8	26.0	3.1
Finance	8.1	7.9	1.9	87.2	86.1	1.3
Business Services	19.5	18.8	3.6	209.1	198.8	5.2
Educational Services	21.8	21.3	2.5	264.0	259.5	1.7
Leisure and Hospitality Services	15.0	14.5	3.6	189.1	178.6	5.9
Other Services	5.6	5.5	1.5	64.9	65.7	-1.2
Government	21.9	21.8	0.4	339.4	339.0	0.1

Not Seasonally Adjusted. Data for FY15 Q3 are March 2015 estimates.
Source: IHS Global Insight Inc., March 10, 2015 data release

Interim Outlook

GENERAL FUND

The revenue forecasts presented in Table 6 and Table 7 were estimated using the March 2015 "control scenario" inputs from Global Insight and the corresponding Kentucky MAK to obtain Kentucky-specific economic forecasts. Despite the presence of down-side risks, the state and national forecasts predict continued growth in employment and personal income with lower rates of unemployment. On the spending side, the strong dollar provides a boost to purchasing power, especially with respect to imports. The same strong dollar, however, creates considerable headwind for U.S. producers of goods for export. On balance, the stronger dollar and higher employment growth are expected to help propel the state economy (and tax revenue) forward during the three-quarter forecasting horizon.

General Fund revenue collections increased 5.4 percent in the third quarter of FY15. Growth rates for the first three quarters have been 1.1, 5.8 and 5.4 percent, respectively for a year-to-date growth rate of 4.1 percent. The official revenue estimate calls for 3.6 percent revenue growth for the fiscal year. To meet the official estimate, receipts must grow 2.2 percent over the final quarter of FY15.

Table 6
General Fund Interim Forecast
$ millions

	FY15						FY15		FY16	
	Q1, Q2 & Q3		Q4		Full Year		Official CFG		Q1 & Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Individual Income	2,816.1	7.3	1,190.9	5.9	4,007.1	6.9	3,977.3	29.8	2,046.8	3.6
Sales & Use	2,412.8	4.1	848.9	4.5	3,261.7	4.2	3,154.0	107.7	1,677.3	3.1
Property	504.7	0.9	59.9	-3.5	564.6	0.4	581.2	-16.6	375.2	1.3
Corporation Income	295.6	1.3	177.6	-3.1	473.2	-0.4	462.4	10.8	220.9	5.8
Coal Severance	138.2	-7.2	42.0	-13.7	180.2	-8.8	204.6	-24.4	69.0	-29.3
Cigarettes	161.9	-4.2	58.1	-1.7	220.0	-3.5	223.5	-3.5	108.7	-3.2
LLET	125.1	-4.1	74.6	8.3	199.7	0.2	233.7	-34.0	92.7	11.6
Lottery	165.0	5.3	61.0	-3.0	226.0	3.0	238.0	-12.0	112.0	2.3
Other	537.8	0.6	177.0	7.3	714.8	2.2	726.5	-11.7	304.9	4.1
General Fund	**7,157.3**	**4.1**	**2,690.0**	**4.0**	**9,847.3**	**4.1**	**9,801.2**	**46.1**	**5,007.5**	**2.7**

Revenue collections are clearly on an upswing, led primarily by solid growth in the income taxes and the sales tax. Moreover, revenue growth in the fourth quarter of FY14 was a tepid 0.5 percent. With the momentum building in current receipts and the low hurdle of collections from FY14 to overcome, the interim estimate calls for a General Fund surplus of $46.1 million compared to the official estimate. To achieve the interim estimates, receipts must grow 4.0 percent in the fourth quarter of FY15.

Account-specific estimates are shown in Table 6. In the quarter, the individual income tax and sales tax are expected to produce receipts in excess of the General Fund aggregate growth rate of 4.0 percent. The two largest sources of revenue tend to grow in line with broader economic indicators. The individual income tax, which has grown by 7.3 percent through the first nine months of FY15, has benefited greatly from higher unemployment rates and higher personal income of Kentuckians. Sales and use taxes have grown 4.1 percent year-to-date, aided in part by higher disposable incomes due to the lower energy prices, higher employment and higher personal income growth in Kentucky. However, the remaining General Fund accounts have languished in FY15 and most are projected to remain weak through the three quarter forecasting horizon of this report.

The individual income tax has four components: withholding, declarations, net returns (payments minus refunds), and fiduciary payments. Through the first nine months of FY15, the largest three components have shown robust growth. Interim estimates depicted on Table 6 call for individual income tax growth to continue, albeit at a slightly lower rate of 5.9 percent for the remainder of FY15. The fourth quarter of any fiscal year poses challenges for forecasting in the near term, especially in the areas of net returns and declarations. Quarterly declaration payments are due in April and June for the new tax year making roughly one-half of all estimated payments due in the fourth quarter. April is also a pivotal month for net returns since timely-filed returns must be postmarked on or before April 15. Looking ahead into FY16, the pace of growth is expected to wane slightly to 3.6 percent.

Sales and use taxes have been consistently robust through the first three quarters of FY15 as well. Receipts were up 3.4 percent in the first quarter of FY15, followed by growth of 5.6 and 3.2 percent in the following quarters. The estimate for the fourth quarter of FY15 is $848.9 million, or growth of 4.5 percent. If the interim forecast is correct, then the sales and use tax will exceed the official estimate by $107.7 million. In the early stages of the current recovery period, sales tax receipts had lagged economic growth for many quarters as consumers were deleveraging and uncertain about future employment. However, that source of revenue has begun to gather some momentum as falling fuel prices have created additional disposable income and consumer sentiment remains high. Growth of 3.1 percent is expected through the first half of FY16.

Property taxes fell 2.9 percent in the third quarter of FY15. In general, property taxes have been very slow in recovering losses incurred during the 2007 recession where the valuations on all types of property plummeted. Year-to-date growth stands at an anemic 0.9 percent. The interim forecast calls for another drop of 3.5 percent in the fourth quarter followed by 1.3 percent increase in the first half of FY16.

The corporation income tax has been a roller coaster ride thus far in FY15. A first quarter decrease of 25.7 percent was followed by two increasing quarters of 21.2 percent and 41.8 percent. Year-to-date receipts have grown 1.3 percent through the first three quarters. Much like the individual income tax, the corporation income tax receipts are back-loaded to the fourth quarter of any fiscal year since calendar-year filers must make a 50 percent estimated payment on or before June 15. Given the volatility of this revenue source, precise point estimates are very difficult to obtain. The fourth quarter of FY14 generated revenues of $183.3 million for growth of 19.9 percent – a very good quarter. Given the high base revenue in FY14, the forecasted value of $177.6 million generates a decline of 3.1 percent for the quarter and a 0.4 percent decline for the entire fiscal year. Notwithstanding the improvements in the economy, the corporation income tax outperformed most of the states in our region and across the country during FY12, FY13 and FY14. Therefore, the corporation income tax is projected to outperform the official estimate for corporation income tax by $10.8 million in FY15 and grow by 5.8 percent for the first half of FY16.

The limited liability entity tax (LLET) enters the fourth quarter with a year-to-date decline of 4.1 percent. However, both the corporation income tax and LLET posted double-digit growth in the third quarter. Much like the corporation income tax, the distribution among quarters is non-uniform. The LLET fell sharply in the first and second quarters of FY15 before robustly rebounding in the third quarter with growth of 15.3 percent. The interim forecast predicts 8.3 percent growth in the fourth quarter with 11.6 percent growth in the first half of FY16.

The coal severance tax receipts continued to slide in the third quarter, posting a 9.2 percent decline on the heels of 5.0 percent and 7.6 percent setbacks in the first two fiscal quarters of FY15. Coal production has been besieged due to increased environmental regulations and the closure of some mines and power plants. The forecast for the fourth quarter calls for an increasing rate of decline – 13.7 percent followed by a 29.3 percent decline in the first half of FY16. Clearly we have not reached the bottom for the coal severance tax.

Cigarette taxes fell 4.2 percent in the third quarter with receipts of $49.6 million compared to $51.8 million in the fourth quarter of FY14. Receipts will continue to decline in future quarters, due in large part to alternative products, health awareness, and the increasing presence of smoking bans.

Lottery receipts increased 3.7 percent, or $2.0 million, in the third quarter of FY15 with dividends of $55.5 million. Growth is expected to be muted in the fourth quarter due to underlying weakness in multistate online games such as “Powerball” and “Mega Millions”.

These games have peak levels of play when the jackpot runs up (in excess of $200 to $300 million). There has been fewer big jackpots in FY15 and dividends have eroded due to this "jackpot fatigue".

The "Other" category represents the remaining accounts in the General Fund. The major components in the "Other" category include insurance premium, bank franchise, telecommunications, beer wholesale taxes and inheritance tax. Despite increasing only 0.6 percent through the first three quarters of FY15, higher growth is expected for the fourth quarter and first half of FY16.

ROAD FUND

Road Fund revenues are forecasted to decline in the final quarter of FY15, continuing the trend of declining growth observed in the first three quarters of FY15. Growth rates for the first three quarters have been 1.8 percent, 0.5 percent, and -2.0 percent, respectively. The decline in revenues is expected to continue throughout the forecast period as shown in Table 7. Growth rates for the fourth quarter of the current fiscal year and the first six months of FY16 are forecast to be -6.5 percent and -10.3 percent, respectively. The full-year interim FY15 forecast is $11.1 million less than the official revenue forecast.

Motor fuels tax collections are forecasted to fall 11.7 percent over the final quarter of FY15 due to a sharp decline in the motor fuels tax rate. The tax rate in effect in the final quarter is 4.1 cents per gallon lower than the rate in the fourth quarter of FY14 and would have been an additional 3.5 cents lower if not for legislative intervention. House Bill 299, enacted during the 2015 legislative session, raised the motor fuels tax floor from 22.5 cents per gallon to 26.0 cents. House Bill 299 also fundamentally changes the manner in which motor fuels tax rates are calculated. Motor fuels taxes are a combination of fixed and variable components. The two fixed portions remain unchanged and total 6.4 cents per gallon. Under the old law, the variable portion of the tax was set at nine percent of the average wholesale price (AWP), which was calculated and imposed on a quarterly basis. Additionally, the tax was free to fall to the statutory floor. The new law sets the AWP on an annual basis and limits the decline to either 90 percent of the AWP in effect at the close of the previous fiscal year or the statutory floor, whichever is higher. While lower oil and gas prices have had a profound effect on the tax rate, there has been only a minimal offset in terms of increased fuel consumption. Through the first two quarters of the fiscal year, taxable gallons have increased only 1.4 percent. Receipts in the first two quarters of FY16 are expected to continue their sharp decline, falling 18.3 percent.

Motor vehicle usage tax collections are expected to decline in the fourth quarter, falling 1.1 percent before strengthening slightly first two quarters of FY16 as the impact of HB440 continues to hamper receipts in this account. House Bill 440 allows for a trade-in credit on new vehicle purchases and has reduced collections by $32.9 million in the first three quarters of FY15. A second piece of legislation from the 2015 Regular Session of the General Assembly will have a minor impact on motor vehicle usage tax collections beginning in FY16. House Bill 378 exempts from taxation purchases made from Kentucky auto dealers by military service members assigned to duty in Kentucky. The annual impact is estimated to be $500,000.

Motor vehicle license taxes are forecasted to increase 3.9 percent in the final quarter of FY15 but fall 1.3 percent in the first two quarters of FY16. Motor vehicle operators' licenses are projected to fall 0.7 percent for the remainder of the fiscal year but increase over the first six months of FY16, growing 1.0 percent. Weight distance tax revenue is forecast to increase in both the final quarter of the fiscal year as well as in the first half of FY16 growing 4.0 percent and 6.5 percent, respectively. Investment income is expected to decline over the remainder of the fiscal year with the trend continuing into the first half of FY16. All other revenues should combine for an increase of 6.2 percent during the last three months of FY15 and increase by 1.2 percent the first two quarters of FY16.

Table 7
Road Fund Interim Forecast
$ millions

	FY15						FY15		FY16	
	Q1, Q2 & Q3		Q4		Full Year		Official CFG		Q1 & Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Motor Fuels	662.0	-1.0	191.8	-11.7	853.8	-3.7	883.2	-29.4	374.4	-18.3
Motor Vehicle Usage	323.2	-0.8	116.0	-1.1	439.2	-0.9	425.5	13.7	218.7	0.8
Motor Vehicle License	75.2	7.4	33.1	3.9	108.3	6.3	101.9	6.4	36.1	-1.3
Motor Vehicle Operators	12.0	-1.0	4.0	-0.7	16.0	-0.9	16.7	-0.7	8.2	1.0
Weight Distance	60.3	4.4	19.9	4.0	80.2	4.3	79.9	0.3	41.2	6.5
Income on Investments	2.6	20.3	0.4	-77.1	3.0	-24.9	3.1	-0.1	0.8	-13.8
Other	27.9	9.3	7.2	6.2	35.1	8.6	36.4	-1.3	16.9	1.2
Road Fund	**1,163.1**	**0.1**	**372.5**	**-6.5**	**1,535.6**	**-1.6**	**1,546.7**	**-11.1**	**696.3**	**-10.3**

NATIONAL ECONOMY

As we enter the fourth fiscal quarter of 2015, one must balance the national economy's weakness in the first calendar quarter with the overall economy's potential for the remainder of the calendar year. Expectations for growth in real GDP have been repeatedly scaled downward due to recent events, including: declining energy prices and the resulting abrupt slowdown in the energy sector, harsh winter weather in many parts of the country, and the impact of the West Coast port slowdown. These factors have combined with a strengthening dollar and weakening global demand resulting to inject a dose of caution in the formation of future expectations. Economic models, such as the Atlanta Federal Reserve GDPNow model, have been more pessimistic than the current economic consensus predicts.

The decline in energy prices and the slowdown in the energy sector will also have mixed effects on the economy for the remainder of the year. The Baker-Hughes oil rig count has fallen by approximately 30 percent in the last quarter and similar reductions in natural gas rigs have been observed. This will directly lower the level of equipment and structure investments in the energy sector. However, growth in the business investment sector for the energy field should resume growing once investors see a clear bottom in the oil and energy markets.

For policy makers, the task at hand is to determine if these events are indicative of a continuing economic slowdown, or has the weakness in the first quarter been due to the influence of several one-off factors. Fortunately, some areas of the economy impacted by the severe weather are exhibiting signs of improvement. Light-vehicle sales were greatly reduced during the beginning of the last quarter, but the March light-vehicle sales are expected to come in at an annual rate of 17.0 million. This would represent a strong year over year gain in the number of vehicles sold as compared to 16.4 million annual rate of March 2014. Additionally, the lower prices of gasoline have helped fuel sales of trucks and SUVs which are traditionally associated with higher gross profit margins for manufacturers. Vehicle sales are expected to remain strong over the next quarter and should continue to add to real GDP.

The impact of the International Longshore and Warehouse Union dispute in Southern California that created a so-called West Coast port slowdown is a straightforward example of a one-time economic event. It will be difficult to isolate the disruptive impact due to the increase in the US dollar and the instability in the economies of several trading partners. Exports had already begun slowing prior to the port slowdown due to a strong dollar making US goods more expensive overseas. The more subtle impact from the port disruption is the decline in inputs. The result is likely to be the lowest level of imports in the last six years. Additionally, the restriction of imports has resulted in many manufacturers and wholesale supply chains being disrupted, affecting shipments, production, and inventories. As trade flows return to normal, there will be a negative net impact on GDP going forward.

Low energy prices may be troublesome for energy producers, but the impact on consumers should continue to be positive. The benefits to consumers will continue to accrue and corresponding consumer expenditures should continue to grow steadily. Restaurants have been a clear beneficiary of increased consumer spending with sales increasing by over 13 percent over the past year, and consumers are on track to spend more on eating out than groceries for the first time ever. Overall, the outlook for consumer spending is positive due to higher levels of consumer confidence, increased purchasing power for imports due to the strong dollar, and continued low energy prices. For the remainder of the calendar year, the strongest gains in real consumer spending are likely to be observed in the second and third calendar quarters of this year.

While the rising dollar is good news to consumers of imports, the rising dollar makes it more difficult for US exporters to compete in foreign markets. Producers of steel and other production inputs in the US have seen a surge in competition from lower relative cost imports. The impact on large, multinational firms has the potential to be significant, as half of the earnings of the S&P 500 are from international revenues. Firms may respond by lowering prices to compensate for the dollar's appreciation, but that would put downward pressure on margins and profits. However, for those firms that import raw materials or the components of production, the stronger dollar has improved their margins and lowered the costs of production. Overall, the dollar would have to rise significantly more before the net impact would be viewed as detrimental to the overall economy.

The events discussed above have also played into the Federal Reserve's economic projections for the next few years. In March, the Federal Reserve Open Market Committee dropped their pledge to remain "patient", and commented that the economy had "moderated". Relative to their December meeting, the committee foresees lower unemployment combined with a slower pace of GDP growth. As we look to the remainder of the calendar year, the expectation is for the Federal Reserve to wait until at least September before raising interest rates. The Federal Reserve, like other forecasters, wants to see if the outlook remains on track for continued, steady growth and a normalization of monetary policy.

KENTUCKY ECONOMY

Personal income for many Kentuckians has grown as the unemployment rate has come down over the previous 12 months. The Bureau of Labor Statistics (BLS) announced that the unemployment rate for Kentucky had reached 5.3 percent in February, more than two percentage points below where it was twelve months prior. This puts Kentucky's unemployment rate below the national average. Kentucky non-farm employment grew 2.4 percent in the third quarter of FY15 the highest such level seen since prior to the last recession. While growth in employment has been welcome, it has still not been particularly high for a period of economic expansion, which has been the common theme among states during the last two recovery periods. For the final quarter of FY15 and the first half of FY16, Kentucky's economy is expected to grow roughly in line with the national economy. Tables 8 and 9 note that Kentuckians' personal incomes are projected to grow faster than the national average over the next three quarters. Wages and salaries of Kentuckians are forecast to grow 5.7 percent in the first half of FY16 compared to the same period in FY15. Several large corporations with presence in Kentucky announced in recent months they would be increasing wages nationwide. The Burgundy Book, a survey of businesses by the Louisville branch of the St. Louis Federal Reserve that was released in March, confirmed several local businesses expect to raise wages over the forecast period. Perhaps correspondingly, Kentucky's labor force finally ended its 24 consecutive month decline in January, with a further increase in February. Time will tell if this will trigger a new upward trend in labor force participation as people respond to the incentive of higher wages.

Growth across all sectors of employment is not expected to be uniform. Tables 8 and 9 show that the greatest employment growth is expected to be concentrated in the service-providing sector, while employment in goods production is forecast to grow slower than non-farm employment as a whole. In the third quarter of FY15, goods-producing employment sectors grew 1.2 percent in Kentucky while national goods-producing employment grew a more substantial 2.9 percent. The BLS reports that mining and logging employment growth are also areas where Kentucky is growing slower than the U.S. average.

Along with total non-farm employment, coincident economic activity for Kentucky is at an all-time high according to the Federal Reserve Bank of Philadelphia. Several of Kentucky's metropolitan statistical areas (MSAs) report improved economic conditions compared to this time last year. The Cleveland branch of the Federal Reserve, which monitors Lexington and Eastern Kentucky, reported in March that the Lexington metro area continues to outperform Kentucky in general economic growth. The Burgundy Book reported strong manufacturing export growth coming into the third quarter and that manufacturers report increasing wages in response to tighter labor market conditions. Seven of ten survey respondents expect improved local conditions throughout 2015. This should be expected as manufacturers like Toyota expand their Kentucky production to meet demand from the growing national economy. However, the dollar's continued appreciation against major foreign currencies should hamper some of the growth of Kentucky's exporters.

Gasoline prices are expected to remain relatively low in the near-term, helping keep a lid on inflation and providing a boon to Kentucky households' purchasing power. The U.S. Department of Transportation reported that nationwide, vehicle-miles driven reached a new twelve-month high in January. Kentuckians will likely see some of that benefit as tourists and shipping vehicles move along the state's highways.

The housing recovery continues in moderate fashion. Housing prices are growing only modestly in both the Louisville and Lexington areas. The Burgundy Book reports that banks expect their loan portfolios to expand only slightly in the coming quarter. Housing inventory is still markedly low, indicating households are still working on reducing their mortgage debt. The savings rate of U.S. households increased to 5.8 percent in February, the highest it has been since 2012.

The Federal Open Market Committee downgraded its projections of U.S. GDP growth in March further raising concerns that lower unemployment will not necessarily result in faster economic growth. The 2.4 percent RGDP growth seen in 2014 was a post-recession high, but not very remarkable. As such, it is important to add caution to our optimism even as Kentucky's economy appears poised to perform better in 2015 than in previous years.

Table 8
US and KY Economic Outlook
Fourth Quarter FY15 & FY14

	Q4		
	FY15	**FY14**	**% Chg**
United States			
Real GDP	16,519.4	16,010.4	3.2
Real Consumption	11,303.4	10,912.6	3.6
Real Investment	2,833.0	2,703.7	4.8
Real Govt. Expenditures	2,914.6	2,880.6	1.2
Real Exports	2,124.0	2,080.7	2.1
Real Imports	2,626.4	2,541.1	3.4
Personal Income ($ billions)	15,223.7	14,660.5	3.8
Wages and Salaries ($ billions)	7,766.7	7,391.7	5.1
Inflation (% chg CPI)	-1.2	2.1	NA
Industrial Production Index (% chg)	2.5	4.2	NA
Civilian Labor Force (millions)	157.8	155.6	1.4
Total Non-farm Employment (millions)	141.9	138.6	2.3
Manufacturing Employment (millions)	12.4	12.2	1.8
Unemployment Rate (%)	5.5	6.2	NA
Kentucky			
Personal Income ($ millions)	172,739	165,049	4.7
Wage & Salary ($ millions)	86,388	81,090	6.5
Non-farm Employment (thousands)	1,884.4	1,847.4	2.0
Goods Producing (thousands)	314.9	309.4	1.8
Service Providing (thousands)	1,229.9	1,199.5	2.5
Government (thousands)	339.5	338.6	0.3

Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.
Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis MAK model, March 2015.

Table 9
US and KY Economic Outlook
First Half FY16 & FY15

	Q1 & Q2		
	FY16	**FY15**	**% Chg**
United States			
Real GDP	16,671.1	16,249.7	2.6
Real Consumption	11,450.4	11,056.6	3.6
Real Investment	2,885.2	2,768.1	4.2
Real Govt. Expenditures	2,925.5	2,905.5	0.7
Real Exports	2,140.2	2,112.3	1.3
Real Imports	2,703.3	2,566.2	5.3
Personal Income ($ billions)	15,439.0	14,885.6	3.7
Wages and Salaries ($ billions)	7,900.2	7,526.1	5.0
Inflation (% chg CPI)	-0.5	1.5	NA
Industrial Production Index (% chg)	1.9	4.6	NA
Civilian Labor Force (millions)	158.6	156.1	1.6
Total Non-farm Employment (millions)	142.9	139.8	2.2
Manufacturing Employment (millions)	12.4	12.2	1.7
Unemployment Rate (%)	5.5	5.9	NA
Kentucky			
Personal Income ($ millions)	175,154	168,085	4.2
Wage & Salary ($ millions)	87,926	83,177	5.7
Non-farm Employment (thousands)	1,895.4	1,869.3	1.4
Goods Producing (thousands)	316.2	312.5	1.2
Service Providing (thousands)	1,239.7	1,218.3	1.8
Government (thousands)	339.6	338.5	0.3

Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.
Components do not sum to GDP because they are annualized independently.
Data for FY16 Q1 and Q2 are March 2015 estimates.
Source: IHS Global Insight Inc., March 2015 data release

APPENDIX

KENTUCKY STATE GOVERNMENT - GENERAL FUND REVENUE

	Third Quarter FY 2015	Third Quarter FY 2014	% Change	Year-To-Date FY 2015	Year-To-Date FY 2014	% Change
TOTAL GENERAL FUND	**$2,279,918,592**	**$2,162,899,038**	**5.4%**	**$7,157,257,369**	**$6,875,351,358**	**4.1%**
Tax Receipts	**$2,210,788,544**	**$2,096,530,028**	**5.4%**	**$6,904,267,855**	**$6,636,838,475**	**4.0%**
Sales and Gross Receipts	**$943,851,779**	**$918,080,496**	**2.8%**	**$2,837,823,344**	**$2,744,214,016**	**3.4%**
Beer Consumption	1,412,120	1,400,987	0.8%	4,525,323	4,616,598	-2.0%
Beer Wholesale	13,053,842	12,504,795	4.4%	42,696,675	43,008,412	-0.7%
Cigarette	49,569,742	51,797,652	-4.3%	161,885,453	168,971,129	-4.2%
Distilled Spirits Case Sales	33,336	32,677	2.0%	98,970	95,851	3.3%
Distilled Spirits Consumption	3,125,407	3,062,769	2.0%	9,292,295	8,929,175	4.1%
Distilled Spirits Wholesale	9,099,583	8,608,391	5.7%	26,924,594	25,267,677	6.6%
Insurance Premium	55,003,928	52,538,432	4.7%	99,708,687	95,865,106	4.0%
Pari-Mutuel	662,319	464,116	42.7%	2,042,093	1,306,213	56.3%
Race Track Admission	2,935	53,546	-94.5%	148,898	158,660	-6.2%
Sales and Use	785,932,987	761,433,288	3.2%	2,412,841,105	2,318,574,624	4.1%
Wine Consumption	738,749	786,844	-6.1%	2,211,205	2,190,267	1.0%
Wine Wholesale	4,219,168	4,292,939	-1.7%	12,274,284	11,651,713	5.3%
Telecommunications Tax	15,752,134	16,133,287	-2.4%	47,194,517	47,977,012	-1.6%
OTP	5,241,274	4,970,773	5.4%	15,973,988	15,603,825	2.4%
Floor Stock Tax	4,253	0	---	5,255	(2,246)	---
License and Privilege	**$188,998,771**	**$192,123,960**	**-1.6%**	**$395,268,521**	**$418,070,927**	**-5.5%**
Alc. Bev. License Suspension	50,542	84,925	-40.5%	270,972	248,190	9.2%
Coal Severance	40,620,176	44,759,528	-9.2%	138,170,965	148,853,329	-7.2%
Corporation License	74,679	445,863	-83.3%	378,609	850,581	-55.5%
Corporation Organization	30,700	10,640	188.5%	68,291	31,417	117.4%
Occupational Licenses	35,727	24,897	43.5%	108,634	95,503	13.7%
Oil Production	1,595,570	3,228,983	-50.6%	8,158,648	9,687,467	-15.8%
Race Track License	2,941	113,225	-97.4%	241,291	248,375	-2.9%
Bank Franchise Tax	97,874,051	100,631,924	-2.7%	97,857,891	102,898,234	-4.9%
Driver License Fees	151,491	151,527	0.0%	503,197	473,169	6.3%
Minerals Severance	2,798,935	2,362,081	18.5%	11,374,395	11,238,665	1.2%
Natural Gas Severance	3,668,373	3,802,229	-3.5%	13,011,882	12,993,397	0.1%
Limited Liability Entity	42,095,588	36,508,136	15.3%	125,123,746	130,452,601	-4.1%
Income	**$926,952,292**	**$829,547,886**	**11.7%**	**$3,111,692,138**	**$2,916,767,324**	**6.7%**
Corporation	86,710,598	61,150,024	41.8%	295,565,549	291,795,867	1.3%
Individual	840,241,693	768,397,862	9.3%	2,816,126,589	2,624,971,457	7.3%
Property	**$134,290,788**	**$138,313,810**	**-2.9%**	**$504,720,865**	**$500,345,479**	**0.9%**
Building & Loan Association	0	0	---	(498,150)	5,753	---
General - Real	69,091,161	72,639,727	-4.9%	253,560,854	252,758,998	0.3%
General - Tangible	52,633,278	61,159,829	-13.9%	183,824,586	182,766,679	0.6%
Omitted & Delinquent	7,179,949	2,863,582	150.7%	13,212,998	13,878,831	-4.8%
Public Service	4,753,629	1,080,038	340.1%	53,133,699	45,138,613	17.7%
Other	632,770	570,633	10.9%	1,486,877	5,796,605	-74.3%
Inheritance	**$10,366,673**	**$11,256,244**	**-7.9%**	**$36,152,635**	**$35,332,816**	**2.3%**
Miscellaneous	**$6,328,242**	**$7,207,633**	**-12.2%**	**$18,610,353**	**$22,107,913**	**-15.8%**
Legal Process	3,946,613	4,237,965	-6.9%	11,477,737	12,343,139	-7.0%
T. V. A. In Lieu Payments	2,352,675	2,936,351	-19.9%	7,099,757	9,731,066	-27.0%
Other	28,955	33,317	-13.1%	32,858	33,709	-2.5%
Nontax Receipts	**$68,798,467**	**$66,157,755**	**4.0%**	**$251,758,527**	**$237,064,214**	**6.2%**
Departmental Fees	7,010,894	7,064,617	-0.8%	14,175,624	15,284,979	-7.3%
PSC Assessment Fee	24,406	136,861	-82.2%	14,696,059	14,836,217	-0.9%
Fines & Forfeitures	5,834,532	6,790,684	-14.1%	16,954,458	18,928,322	-10.4%
Income on Investments	(191,383)	(157,487)	---	(583,814)	(855,924)	---
Lottery	55,500,000	53,500,000	3.7%	165,000,000	156,639,743	5.3%
Sale of NOx Credits	0	6,804	-100.0%	27,594	55,242	-50.0%
Miscellaneous	620,017	(1,183,724)	---	41,488,606	32,175,635	28.9%
Redeposit of State Funds	**$331,581**	**$211,254**	**57.0%**	**$1,230,987**	**$1,448,669**	**-15.0%**

KENTUCKY STATE GOVERNMENT - ROAD FUND REVENUE

	Third Quarter FY 2015	Third Quarter FY 2014	% Change	Year-To-Date FY 2015	Year-To-Date FY 2014	% Change
TOTAL ROAD FUND	**$378,280,905**	**$386,144,532**	**-2.0%**	**$1,163,143,605**	**$1,162,147,288**	**0.1%**
Tax Receipts-	**$370,866,603**	**$378,471,061**	**-2.0%**	**$1,143,158,922**	**$1,143,448,152**	**0.0%**
Sales and Gross Receipts	**$307,296,189**	**$319,569,427**	**-3.8%**	**$985,216,225**	**$994,618,688**	**-0.9%**
Motor Fuels Taxes	199,551,916	210,724,898	-5.3%	661,989,899	668,878,240	-1.0%
Motor Vehicle Usage	107,744,273	108,844,529	-1.0%	323,226,326	325,740,448	-0.8%
License and Privilege	**$63,570,413**	**$58,901,634**	**7.9%**	**$157,942,696**	**$148,829,464**	**6.1%**
Motor Vehicles	34,617,733	33,467,273	3.4%	75,216,043	70,054,745	7.4%
Motor Vehicle Operators	3,838,621	3,982,166	-3.6%	11,977,179	12,104,835	-1.1%
Weight Distance	19,719,491	19,033,380	3.6%	60,266,368	57,726,445	4.4%
Truck Decal Fees	7,288	15,353	-52.5%	38,748	37,372	3.7%
Other Special Fees	5,387,280	2,403,462	124.1%	10,444,358	8,906,067	17.3%
Nontax Receipts	**$6,574,684**	**$5,529,680**	**18.9%**	**$16,664,864**	**$14,781,479**	**12.7%**
Departmental Fees	5,013,099	3,864,163	29.7%	12,991,690	11,559,488	12.4%
In Lieu of Traffic Fines	110,796	144,874	-23.5%	354,004	410,229	-13.7%
Income on Investments	1,319,657	1,272,166	3.7%	2,575,384	2,143,043	20.2%
Miscellaneous	131,132	248,477	-47.2%	743,787	668,719	11.2%
Redeposit of State Funds	**$839,618**	**$2,143,790**	**-60.8%**	**$3,319,819**	**$3,917,657**	**-15.3%**