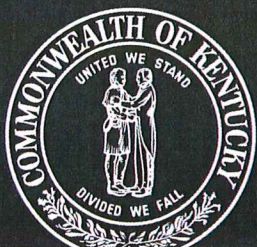


Commonwealth of Kentucky

Quarterly Economic & Revenue Report

Fourth Quarter Fiscal Year

- 2022 ANNUAL EDITION -



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



Office of State Budget Director

200 Mero Street, 5th Floor
Frankfort, Kentucky 40622

Andy Beshear
Governor

(502) 564-7300
Internet: osbd.ky.gov

John Hicks
State Budget Director

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

July 29, 2022

The Honorable Andy Beshear
Governor
Commonwealth of Kentucky
State Capitol Building
Frankfort, Kentucky 40601

Mr. Jay Hartz, Director
Legislative Research Commission
Room 300, State Capitol
Frankfort, Kentucky 40601

Ms. Laurie Dudgeon, Director
Administrative Office of the Courts
1001 Vandalay Drive
Frankfort, Kentucky 40601

Dear Honorable Governor Beshear, Mr. Hartz and Ms. Dudgeon:

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) is directed to continuously monitor the financial situation of the Commonwealth. In furtherance of this directive, OSBD submits this *Quarterly Economic and Revenue Report* for the fourth quarter of fiscal year 2022 (FY22) to the three branches of government.

This report includes the actual revenue receipts for the fourth quarter, the annual review of FY22, and an unofficial forecast for the first three quarters of FY23 (the forecast horizon). The report also provides updates on the national and Kentucky economic landscapes.

TEAM
KENTUCKY

Governor Beshear, Mr. Hartz, Ms. Dudgeon

July 29, 2022

Page 2

General Fund receipts finished the year 14.6 percent over FY21 levels, the highest annual rate of growth in thirty-one years. The second highest growth rate during that span occurred in FY21, where General Fund receipts grew 10.9 percent. Collections for FY22 were \$14,702.5 million, \$1,875.0 million more than FY21 receipts. A resurgent Kentucky economy helped lift individual income, sales and use, and business tax receipts to strong consecutive annual increases.

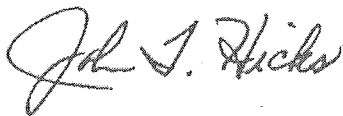
Road Fund revenues came in very close to the enacted estimate. Total receipts of \$1,675.4 million were just \$4.7 million short of the enacted estimate of \$1,680.1 million.

The current official estimate for the FY23 General Fund is \$13,758,988,400 – or 6.4 percent less than actual FY22 General Fund collections. Projected General Fund revenues for the forecasting horizon are displayed in Table 1. This unofficial, interim outlook calls for a 1.7 percent growth in General Fund revenues for the first three quarters of FY23 compared to the same three quarters in FY22.

Road Fund revenues are forecasted to grow at a slightly more robust pace over the first three quarters of FY23 with collections increasing 3.7 percent. Growth is expected to remain moderate in all the major accounts, with the exception of motor fuels which is forecasted to decline.

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

Sincerely,

A handwritten signature in cursive script that reads "John T. Hicks".

John T. Hicks
State Budget Director

TABLE OF CONTENTS

Executive Summary	1
Revenue & Economic Outlook	
General Fund	5
Road Fund	8
National Outlook	9
Kentucky Outlook	12
Revenue Receipts	
Fourth Quarter, FY22	
General Fund	15
Road Fund	17
Annual Totals, FY22	
General Fund	18
Road Fund	23
The Economy	
Fourth Quarter, FY22	
National Economy	27
Kentucky Economy	32
Appendix A	
Kentucky State Government General Fund & Road Fund Revenues Fourth Quarter, FY22	35-37
Appendix B	
Summary Statistics for General Fund FY13-FY22	38-40
Summary Statistics for General Fund Growth Rates FY13-FY22	41-43
Appendix C	
Summary Statistics for Road Fund FY13-FY22	44-45
Summary Statistics for Road Fund Growth Rates FY13-FY22	46-47
Glossary	48-49

EXECUTIVE SUMMARY

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) is directed to continuously monitor the financial situation of the Commonwealth. In fulfillment of this mandate, OSBD submits this *Quarterly Economic and Revenue Report* for the fourth quarter of fiscal year 2022 (FY22). This report includes the actual revenue receipts for the fourth quarter, an annual review of FY22, and an unofficial forecast for the first three quarters of FY23 (the forecast horizon). The report also provides updates on the national and Kentucky economic landscapes for the most recently completed quarter and an outlook for the forecasting horizon. Appendices at the end of the report show General Fund and Road Fund receipts for the prior ten-year period.

Since the previous edition of the quarterly report, the Commonwealth registered very positive collections in the General Fund and a small decline in the Road Fund during the fourth quarter of FY22. General Fund receipts finished the year 14.6 percent over FY21 levels, the highest annual rate of growth in thirty-one years. The second highest growth rate during that thirty-one year span occurred in FY21, where General Fund receipts grew 10.9 percent. Collections for FY22 were \$14,702.5 million, \$1,875.0 million more than FY21 receipts. A resurgent Kentucky economy helped lift individual income, sales and use, and business tax receipts to strong consecutive annual increases. Not surprisingly, these two years of robust growth have led to the highest two revenue surpluses on record.

The largest three tax types, individual income, sales, and business tax receipts accounted for all of the FY22 revenue surplus, collectively exceeding the enacted estimate by \$951.1 million. The individual income tax had the highest variation from the official estimate, exceeding enacted totals by \$622.8 million. Business taxes (corporation income tax plus the limited liability entity tax) topped the official estimate by \$216.1 million. Finally, the sales and use tax outpaced the official estimate by \$112.2 million. The remaining tax accounts together undershot the enacted estimate by only \$5.7 million.

Projected General Fund Growth for the first three quarters of FY23

Growth in General Fund revenue is expected to continue throughout the forecast horizon, albeit at a much slower pace than FY21 and FY22. The unofficial, interim estimate calls for growth of 1.7 percent over the three-quarter forecast horizon—anchored by solid growth in the largest two revenue sources, the individual income tax and the sales tax. The individual income tax is expected to grow 5.0 percent while the sales and use tax grows by 5.4 percent. Those two revenue accounts comprise 77.1

percent of expected General Fund revenues received in the first three quarters of FY23. Five of the eight major tax accounts are expected to increase, with the exceptions being the combined business taxes, cigarette tax, and the "other" set of accounts.

Projected Road Fund Growth for the first three quarters of FY23

Road Fund revenues are expected to show solid growth over the forecasting horizon. It is estimated that revenues will grow 3.7 percent over the first nine months of FY23. Most of the major accounts are forecasted to increase, with growth rates ranging from 0.9 percent to 13.7 percent. The lone exception is in the motor fuels tax category. Motor fuels tax receipts are expected to decline by 0.4 percent due to the continued high levels of pump prices and the subsequent freeze in the average wholesale price of fuel that occurred via an emergency regulation. Motor vehicle usage taxes are forecasted to increase 7.0 percent over the same period. Collections in the motor vehicle usage tax account were solid in FY22 with annual collections growing on top of the all-time high set in FY21. The motor fuels and motor vehicle usage tax accounts comprised 83.8 percent of total Road Fund revenues in FY22.

FY22 Revenues Compared to Enacted Estimates, General Fund and Road Fund

Kentucky's General Fund receipts for FY22 ended much better than expected. Final FY22 General Fund revenues exceeded the enacted estimate by \$945.4 million an amount surpassed only by the revenue surplus of \$1,123.4 million in FY21. Nearly all of the revenue surplus will be deposited into Kentucky's rainy day fund, the Budget Reserve Trust Fund bringing it up to a new all-time high. The \$2.7 billion balance is up by an order of magnitude from the \$129 million Budget Reserve Trust Fund balance at the end of FY19.

Road Fund revenues came in very close to the enacted estimate. Total receipts of \$1,675.4 million were just \$4.7 million short of the enacted estimate of \$1,680.1 million. The three accounts that fell short of the budgeted estimates were motor fuels, weight distance, and income on investments. Motor fuels taxes came up \$13.7 million short as high pump prices discouraged consumption on the demand side. Of the accounts that surpassed estimates, motor vehicle usage and motor vehicle licenses made up most of the gains vis-à-vis enacted projections.

Summary of Projected Major Economic Factors

Growth in real GDP is expected to increase 2.0 percent in the first three quarters of FY23. Several factors account for the relatively slower rate of growth of real GDP. Slower growth in investment has begun to dampen real GDP relative to prior outlooks. Growth in real consumption is projected to increase 3.1 percent, spanning the first, second and third quarters of FY23. High pump prices for motor fuels, high inflation, choppy equity markets, and the lingering war in Ukraine have dampened the Michigan Consumer Sentiment Index to 62.2 in the fourth quarter of FY22, its lowest level in more than a decade. Consumer sentiment is commonly linked to real consumption patterns. Additionally, continued higher spending growth on travel, hospitality, and leisure has served to bolster real consumption. Despite significant headwinds, growth in consumer spending is expected to be supported by increasing employment and wage income.

On the employment front, the service-producing sectors continue to trend up in the US labor outlook. Growth in the service-providing sectors is expected to be 3.3 percent in the first three quarters of FY23. US leisure and hospitality employment continues to surge with 11.3 percent projected growth in the first, second and third quarters of FY23. The goods-producing sectors are expected to gain roughly 600,000 annualized jobs in the first, second, and third quarters of FY23, a 2.9 percent increase.

Total nonfarm payroll employment in Kentucky is anticipated to increase 3.1 percent over the next three fiscal quarters, adding approximately 60,100 annualized jobs to the Commonwealth's economy. Employment is projected to rise in nine of Kentucky's 11 major nonfarm job sectors over the next nine months.

Growth in the goods-producing sector in Kentucky is expected to be slightly stronger than the service-providing sectors. The 5.1 percent change reflected in the goods-producing sector expected in the first, second, and third quarters of FY23 accounts for a total gain of roughly 16,600 annualized jobs, compared to the same periods one year prior. Manufacturing employment is forecasted to be the bright spot within the goods-producing sector, increasing by an estimated 13,900 annualized jobs, a percentage change of 5.7 percent. Manufacturing employment is widely cited as a driving force behind Kentucky's continued economic growth.

Kentucky wages and salaries, the largest component of personal income, is poised to grow by a robust 6.4 percent in the first three quarters of FY23, compared to the same period one year prior. US wages and salaries growth is projected to be 7.7 percent, slightly ahead of the pace set in Kentucky. Growth in Kentucky wages and salaries set a two-decade peak in FY22 with estimated growth of 9.1 percent. Despite tightening labor market, wages and salary growth remains strong over the forecast horizon.

Summary of the Economy from the Fourth Quarter of FY22

Real Gross Domestic Product (real GDP) rose by 2.5 percent in the fourth quarter of FY22 over the fourth quarter of FY21. Real consumption grew by 3.0 percent over the same period. Inflation was 8.0 percent for the second straight quarter. Total outlays declined by 16.8 percent in the fourth quarter of FY22 while subsidies declined by 80.6 percent during the fourth quarter. US non-farm employment grew by 4.5 percent in the fourth quarter of FY22 with a 4.3 percent increase US personal income.

Kentucky non-farm employment rose by 3.9 percent in the fourth quarter of FY22 compared to the fourth quarter of FY21. Due to a sizable decline in transfer payments, Kentucky personal income increased by only 2.7 percent in the fourth quarter of FY22. Kentucky wages and salaries grew by 9.3 percent in the fourth quarter of FY22. On the downside, Kentucky proprietors' income fell 3.4 percent for the quarter.

REVENUE & ECONOMIC OUTLOOK

GENERAL FUND

The Interim Outlook represents unofficial estimates prepared pursuant to KRS 48.400(2). Forecasted revenues presented in Table 1 were projected using the June 2022 “control scenario” economic forecast from both IHS Markit and the Kentucky MAK model as the primary inputs. IHS Markit has placed a 50 percent probability on their “control scenario” as being the most likely economic outcome, relative to the pessimistic (35 percent) and optimistic (15 percent) scenarios. In addition, the revenue estimates incorporate various tax law changes enacted during recent sessions of the General Assembly. All estimates in this outlook extend through the third quarter of FY23 (the forecasting horizon).

General Fund receipts finished the year 14.6 percent over FY21 levels, the highest annual rate of growth in 31 years. The second highest growth rate during that 31-year span occurred in FY21, where General Fund receipts grew 10.9 percent. Collections for FY22 were \$14,702.5 million, \$1,875.0 million more than FY21 receipts. A resurgent Kentucky economy helped lift individual income, sales and use, and business tax receipts to strong consecutive annual increases. Not surprisingly, these two years of robust growth have led to the highest two revenue surpluses on record. Final FY22 General Fund revenues exceeded the enacted estimate by \$945.4 million, an amount surpassed only by the revenue surplus of \$1,123.4 million. The three largest accounts, individual income, sales and use, and the business taxes combined to create all the revenue surplus in FY22, exceeding the enacted estimate by \$951.1 million.

The current official estimate for FY23 is \$13,758,988,400 – or 6.4 percent less than actual FY22 General Fund collections. Table 1 displays the interim forecast for the next three fiscal quarters. Growth of 1.7 percent is expected over the forecasting horizon. By way of comparison, the three-quarter growth rate in FY22 was 13.6 percent, so the interim forecast calls for slower growth than was achieved in FY22. During the forecasting horizon in FY23, both the national and state economies are expected to be noticeably softer than the past two years. Also, a collection of legislative actions from the 2022 Legislative Session will have a dampening effect on the third quarter total revenue collections in FY23. Finally, historical revenue patterns for each major account tend to revert to trend growth after periods of abnormally high growth. Many of the revenue models used in the interim forecasting process pick up this tendency, especially when the economy is expected to be weaker than the prior years.

The General Fund is expected to grow a net \$175.3 million during the forecast horizon. Both the individual income tax and the sales and use tax are expected to surpass that amount by themselves during the forecast horizon. In FY22, both taxes grew robustly on an annual basis. The individual income tax rose 17.6 percent while the sales and use tax grew 11.0 percent. Growth is expected to continue into FY23 even though the FY22 level of receipts established a high basis of comparison. The individual income tax is expected to grow \$196.4 million while the sales tax is projected to climb \$199.2 million.

Individual income receipts are projected to rise 5.0 percent during the three-quarter forecast horizon. The individual income tax is composed of four parts: withholding, declaration payments, net returns, and fiduciary. Withholding is by far the largest component, historically making up approximately 93 percent of the total individual income tax. The withholding component is expected to increase 6.1 percent in the next three quarters, primarily driven by the 6.4 percent forecasted growth in Kentucky wages and salaries (Table 5). Included in the withholding growth calculation is a \$154.0 million loss to withholding in the third quarter of FY23 due to the rate reduction from 5.0 percent to 4.5 percent pursuant to HB 8 from the 2022 Legislative Session. Declarations are made by some individual income tax filers based on their expected tax liability for tax year 2022. This component of the individual income tax is forecasted to decrease slightly due primarily to the historically high FY22 base. Net returns are the combination of pay returns less refunds. Net returns receipts were extremely high in FY22 as the balance between pay returns and refunds was a positive \$222.2 million. The forecasting horizon for net returns is expected to produce roughly the same collections as the FY22 levels.

Sales and use tax receipts are expected to rise 5.4 percent over the forecasting horizon. Growth through the first three quarters of FY22 was an astounding 13.6 percent, once again posing a formidable base from which to post growth. Modest increases are expected in the first half of FY23 as real consumption moderates from the pace set in FY22. The third quarter of FY23 will be aided by roughly \$17.6 million due to the expansion of the sales tax base enacted in HB 8 during the 2022 legislative session. Approximately 35 new categories of services will be added to the list of taxable services in Kentucky, effective January 1, 2023.

Business taxes (corporation income tax plus the limited liability entity tax) grew 34.4 percent in FY22 following a 38.1 percent surge in FY21. Collections of \$1,186.6 million in FY22 shattered the record set in FY21 for combined business taxes that previously dated back to the final implementation of corporate tax changes in FY08. The corporation income tax and the LLET are now reported and estimated in combination due to the interrelationship of the tax credit that flows between the two revenue sources. Corporate and business taxes are expected to decline 14.1 percent during the forecasting horizon. Corporate profits are the main predictor that is used to project business taxes in Kentucky. Corporate profits grew 29.0 percent in FY21 and 16.6 percent in FY22. Corporate profits are expected to decline by 1.0 percent in FY23. This is the primary driver for the lower business taxes forecast in the first three quarters of FY23.

Total property tax receipts had a breakout year in FY21, posting annual growth of 9.2 percent. Growth moderated in FY22 to 3.0 percent. The two largest categories of property, real and tangible property, had lower receipts in FY22, with real property growing by 2.5 percent and tangible property falling by 0.7 percent. Despite Executive Order 2022-196, which froze the 2022 assessments on motor vehicles at 2021 levels, the property tax on motor vehicles grew by 7.8 percent. The 2022 growth in the motor vehicle property tax was primarily attributable to new vehicle purchases. Growth in the property tax is expected to be 3.5 percent over the forecasting horizon. The estimate incorporates the decline in the state rate on real property for tax year 2022. Due to rising assessments, the state rate on real property was lowered from 12.9 cents per \$100 valuation to 12.6 cents.

Lottery revenues deposited into the General Fund for FY22 were \$295.0 million, 2.0 percent higher than the \$289.1 million deposited in FY21. An additional \$52.3 million in lottery dividends were received in FY22 but for the first time diverted to a separate account as required by the budget bill. In FY21, an additional \$58 million in lottery revenue was also diverted to the separate account. Together, over \$110.3 million of the lottery dividend has been deposited into a trust and agency account rather than deposited into the General Fund. The Kentucky Lottery broke another record with nearly \$1.7 billion in total sales across all products. Compared to FY21 actuals, the biggest gains came from iLottery instant play, where sales grew by over \$100 million from FY21. Looking ahead, the interim forecast calls for continued growth of 7.5 percent compared to the same three quarters of FY22.

Cigarette tax receipts continue to be collected at the rate of \$1.10 per pack, effective July 1, 2018. Cigarette taxes were the only major account to decline in FY22, falling 7.3 percent. Other tobacco products, including vaping products, grew by 7.8 percent to partially offset the decline in cigarette taxes. A continued downward slide of 7.1 percent is expected through the forecasting horizon.

Coal severance tax receipts dipped by 4.7 percent in FY21 following annual decline of 36.7 percent in FY20. Since FY21, however, coal severance revenues have seen a reversal of fortunes with growth of 26.0 percent in FY22. The expectations for the forecasting horizon in FY23 call for continued growth in coal severance receipts. Collections are projected to jump to \$105.1 million through the first nine months of FY23, compared to the \$49.2 million collected over the same period in FY22. Coal severance taxes in Kentucky are benefiting from the resurgence in energy prices worldwide, including the global prices of coal, natural gas, and oil.

The "other" category contains dozens of smaller accounts, which make up the remainder of the General Fund. Insurance premiums tax, alcohol taxes, telecommunication taxes, inheritance taxes, and abandoned property receipts are the five largest accounts in the "other" category forecast. The "other" accounts totaled \$991.5 million in FY22 but fell \$22.4 million short of the official estimate of \$1,013.9 million for the year. Revenues in this category were amplified in the first quarter of FY22 by a \$225 million one-time legal settlement with Flutter Entertainment, the

parent company of PokerStars. Since that deposit into the General Fund was nonrecurring, the projection for other receipts over the forecasting horizon is sharply lower. Receipts are expected to decline 26.7 percent to \$560.0 million. If the legal settlement is netted out of the FY22 base, the interim estimate for “other” tax receipts would be 4.0 percent higher than the first three quarters of FY22.

Table 1
General Fund Interim Forecast
\$ millions

	FY22				FY22		FY23	
	Q4		Full Year		Official		Q1-Q3	
	Actual	% Chg	Estimate	% Chg	Estimate	\$ Diff	Estimate	% Chg
Individual Income	2,118.0	30.5	6,047.5	17.6	5,424.7	622.8	4,125.9	5.0
Sales & Use	1,350.9	4.5	5,062.9	11.0	4,950.7	112.2	3,911.2	5.4
Corp. Inc. & LLE	507.1	24.9	1,186.6	34.4	970.5	216.1	583.9	-14.1
Property	74.6	-5.8	723.9	3.0	679.2	44.7	671.9	3.5
Lottery	64.7	-22.1	295.0	2.0	319.3	-24.3	247.7	7.5
Cigarettes	83.9	-7.9	324.5	-7.3	334.7	-10.2	223.5	-7.1
Coal Severance	21.4	55.4	70.7	26.0	64.1	6.6	105.1	113.6
Other	228.1	6.2	991.5	17.7	1,013.9	-22.4	560.0	-26.7
General Fund	4,448.7	16.9	14,702.5	14.6	13,757.1	945.4	10,429.1	1.7

ROAD FUND

Road Fund receipts declined in the fourth quarter after increasing in each of the first three quarters of FY22. The decline was due primarily to the extremely high level of revenues collected last year when receipts grew nearly 44 percent in the quarter because of timing issues affecting FY21 collections. Because the decline was moderate and revenue growth was strong enough over the first nine months of the fiscal year, Road Fund collections ended the year up 2.0 percent over FY21 levels. The gains were concentrated in the motor fuels and motor vehicle usage taxes which grew 3.5 percent and 1.3 percent, respectively. For the year, total collections were \$1,675.4 million but were \$4.7 million below the official revenue estimate.

Looking ahead, Road Fund revenues are forecasted to grow at a slightly more robust pace over the first three quarters of FY23 with collections increasing 3.7 percent. Growth is expected to remain moderate in all the major accounts, with the exception of motor fuels which is forecasted to decline.

Motor fuels tax receipts are expected to decrease 0.4 percent over the next three quarters as gasoline consumption declines over the forecast period. Due to an increase in the average wholesale price that occurred in FY22, the Kentucky motor fuels tax rate was scheduled to increase two cents per gallon on July 1, 2022. However, emergency regulation 103 KAR 043:340E was promulgated on June 2, 2022, that froze the average wholesale price of fuel at FY22 levels, keeping the total

fuels tax on gasoline at \$0.26 and \$0.23 on special fuels through at least mid-January 2023. The other significant Road Fund account, motor vehicle usage tax, is forecasted to increase 7.0 percent over the first three quarters of FY23.

To estimate growth of the other components of the Road Fund, GOEA consulted with officials in the Transportation Cabinet and the Department of Revenue to assess recent growth patterns as well as administrative factors in developing an updated estimate. Motor vehicle license fees are expected to increase 2.8 percent in the first nine months of FY23. Weight distance taxes are expected to grow 2.3 percent, motor vehicle operators' license (driver's license) taxes are forecasted to rise 13.7 percent and investment income collections are projected to be -\$1.0 million. The "other" category is expected to increase 0.9 percent.

Table 2
Road Fund Interim Forecast
\$ millions

	FY22				FY22		FY23	
	Q4		Full Year		Official		Q1-Q3	
	Actual	% Chg	Actual	% Chg	Estimate	\$ Diff	Estimate	% Chg
Motor Fuels	198.0	-0.8	774.6	3.5	788.3	-13.7	574.4	-0.4
Motor Vehicle Usage	168.3	-6.7	629.1	1.3	619.7	9.4	493.0	7.0
Motor Vehicle License	51.1	6.1	123.7	-1.5	116.6	7.1	74.6	2.8
Motor Vehicle Operators	8.0	19.6	28.5	29.1	25.8	2.7	23.3	13.7
Weight Distance	21.3	1.2	87.2	4.8	90.5	-3.3	67.4	2.3
Income on Investments	-2.0	10,186.2	-11.0	9,238.1	-1.0	-10.0	-1.0	NA
Other	9.9	-8.2	43.3	1.9	40.2	3.1	33.7	0.9
Road Fund	454.6	-2.6	1,675.4	2.0	1,680.1	-4.7	1,265.4	3.7

NATIONAL OUTLOOK

The US economy is poised for expansion over the three-quarter forecast horizon despite the talks of a looming recession as the Federal Reserve aggressively hones in on reducing inflation. The forecast of the national outlook used in this quarterly report is the IHS Markit control scenario for June 2022. The June outlook represents a slight downward revision from the March forecast primarily due to the continuation of the Russia-Ukraine conflict, paired with persistent inflation pressures.

Inflation has recently reached its fastest pace in four decades. It is expected to substantially exceed the Fed's two percent long-run goal over the next three fiscal quarters. Inflation is anticipated to ease as energy prices recede, supply disruptions abate, and less accommodative monetary and fiscal policy reverse the prior policies of demand stabilization.

Growth in real GDP is expected to increase 2.0 percent in the first three quarters of FY23. Several factors influence the relatively slower rate of growth of real GDP. Slower growth in consumer spending and investment has begun to dampen real GDP relative to prior outlooks. Growth in real consumption is projected to increase 3.1 percent, spanning the first, second, and third quarters of FY23. High pump prices for motor fuels, choppy markets, and the lingering war in Ukraine have dampened the Michigan Consumer Sentiment Index to 62.2 in the fourth quarter of FY22, its lowest level in more than a decade. Consumer sentiment is commonly linked to real consumption patterns. Additionally, continued spending growth on travel, hospitality, and leisure has served to moderate real consumption. Despite significant headwinds, growth in consumer spending is expected to be supported by increasing employment and personal income.

Real investment growth is expected to cool over the three-quarter forecast horizon, increasing a mere 1.4 percent. Rapidly increasing borrowing costs have lowered the internal rate of return on investments, and slower growth in economic output has dampened business expectations.

Among the five components of real GDP, real imports are poised to grow the quickest in percentage terms, increasing 7.2 percent compared to the same periods one year prior. Disruptions to supply chains are easing and the recovery in domestic inventories have reinforced demand for imports. Strong domestic demand for goods and services, as well as the strong position of the US dollar, will continue to underpin real imports over the forecast horizon, as demand for goods continue to be elevated. Real exports are expected to continue to rebound in the first three quarters of FY23, increasing by 6.9 percent. A contributing factor to that rebound is the gradual improvement in economic conditions abroad, resulting in a boost to international demand for US goods and services.

US housing starts are expected to decline 6.4 percent during the first three quarters of FY23. A recent jump in mortgage rates has contributed to the slowing in existing home sales. Even as home prices are beginning to moderate, higher mortgage rates and increased underwriting scrutiny have dampened home affordability.

Conditions in the labor market continue to improve. Non-farm employment is expected to increase 2.9 percent in the first three quarters of FY23, a gain of 4.3 million jobs. The rate of unemployment is expected to decline through the third quarter of FY23, reaching 3.7 percent. Labor markets will remain tight over the three-quarter outlook as worker demands for higher wages conflict with higher production costs facing employers that may not have the market power to fully pass along cost increases into higher prices of goods and service output.

US personal income is expected to increase 5.0 percent in the first three quarters of FY23. The wages and salaries component is anticipated to continue its positive trajectory, bolstering personal income growth with a 7.7 percent increase in the first, second, and third quarters of FY23. The demand for labor is expected to continue to outpace the supply of labor, resulting in the continued trend of upward pressure on

wages and salaries growth. The projected uptick in personal income is also attributed to an increase in dividends, interest, and rents, as well as continued growth in proprietor's income.

Transfer receipts are expected to decline 1.7 percent over the first, second, and third quarters of FY23. Federal pandemic support that previously bolstered personal income is rapidly waning. Personal income averaged an annualized \$21.3 trillion over the first half of 2021 largely as result of COVID-19 relief measures.

On the employment front, the service-producing sectors continue to trend up in the US labor outlook. Growth in the service-providing sectors is expected to be 3.3 percent in the first three quarters of FY23. Leisure and hospitality employment continues to surge with 11.3 percent projected growth in the first, second, and third quarters of FY23. The goods-producing sectors are expected to gain roughly 600,000 annualized jobs in the first, second, and third quarters of FY23, a 2.9 percent increase. Construction employment is forecasted to edge up 2.2 percent, representing an increase of approximately 160,000 annualized jobs. Manufacturing employment is expected to continue its recent run of positive but modest growth, projected to increase 2.8 percent over the outlook period.

Table 3
US Economic Outlook
Interim Forecast

	Q1, Q2, & Q3			
	FY23	FY22	\$ Chg	% Chg
Real GDP	20,062.7	19,672.1	390.6	2.0
Real Consumption	14,247.8	13,825.2	422.6	3.1
Real Investment	3,858.8	3,806.9	52.0	1.4
Real Govt. Expenditures	3,355.3	3,358.8	-3.5	-0.1
Real Exports	2,502.2	2,340.5	161.8	6.9
Real Imports	4,013.3	3,743.9	269.4	7.2
CPI all goods (% chg)	6.3	6.7	NA	NA
CPI Food (% chg)	8.3	5.9	NA	NA
CPI Energy (% chg)	19.3	27.9	NA	NA
CPI Core (% chg)	4.8	5.1	NA	NA
Industrial Production Index (% chg)	5.5	5.1	NA	NA
Unemployment Rate (%)	3.7	4.4	NA	NA
Housing Starts (\$ millions, NSA)	1.6	1.7	-0.1	-6.4

Table 4
US Labor and Income Outlook
Interim Forecast

	Q1, Q2, & Q3			
	FY23	FY22	\$ Chg	% Chg
Non-farm Employment (millions, NSA)	152.9	148.6	4.3	2.9
Goods-producing	21.2	20.6	0.6	2.9
Construction	7.7	7.5	0.2	2.2
Mining	0.7	0.6	0.1	13.9
Manufacturing	12.9	12.5	0.4	2.8
Service-providing	109.3	105.9	3.4	3.3
Trade, Transportation & Utilities	28.3	28.1	0.2	0.8
Information	3.0	2.9	0.1	2.3
Finance	9.0	8.8	0.2	2.2
Business Services	22.4	21.7	0.7	3.4
Educational Services	24.3	23.9	0.4	1.7
Leisure and Hospitality Services	16.6	14.9	1.7	11.3
Other Services	5.7	5.6	0.1	2.3
Government	22.4	22.1	0.3	1.3
Personal Income (\$ billions, AR)	22,091.5	21,030.7	1,060.8	5.0
Wages and Salaries	11,630.2	10,800.5	829.7	7.7
Transfer Receipts	3,924.5	3,992.2	-67.7	-1.7
Dividends, Interest, and Rents	3,948.2	3,721.3	226.9	6.1
Supplements to Wages and Salaries	2,430.6	2,304.6	125.9	5.5
Proprietors' Income	1,932.1	1,867.5	64.6	3.5
Social Insurance	1,774.1	1,655.5	118.6	7.2
Residence Adjustment	0.0	0.0	0.0	NA

KENTUCKY OUTLOOK

The forecast for Kentucky personal income by type and the employment outlook by sector was prepared using the Kentucky MAK model and the June 2022 control forecast from IHS Markit.

Kentuckians' personal income is poised to grow 3.5 percent over the forecasted quarters. Kentucky wages and salaries, the largest component of personal income, is poised to grow by a robust 6.4 percent in the first three quarters of FY23, compared to the same period one year prior. US wages and salaries growth is projected to be 7.7 percent, slightly ahead of the pace set in Kentucky. Growth in Kentucky wages and salaries set a two-decade peak in FY22 with estimated growth of 9.1 percent. Despite tightening labor market, wages and salary growth remains strong over the forecast horizon. Traditionally there has been a high correlation between the wages and salaries component of personal income in Kentucky and the withholding component of the individual income tax, as well as the sales and use tax. The substantial gains to wages and salaries over the last two years have had a positive influence on consumer behavior in Kentucky. However, inflation has lowered the purchasing power of the wage gains, thus dampening consumer behavior by a larger increment.

During the 2020 recession, Kentucky lost 241,200 jobs. In the fourth quarter of FY22, Kentucky non-farm employment surpassed its pre-recession peak. The pre-recession peak was 1,953,600 seasonally-adjusted jobs in the third quarter of FY20. Kentucky non-farm employment in the fourth quarter of FY22 was 1,961,400 seasonally-adjusted jobs, which is 7,800 jobs above the previous peak. Total nonfarm payroll employment is anticipated to increase 3.1 percent over the three fiscal quarters, adding approximately 60,100 annualized jobs to the Commonwealth's economy. Employment is projected to rise in nine of Kentucky's 11 major nonfarm job sectors over the next nine months.

Notable job gains are expected in the service-providing sector, accounting for roughly 65 percent of the job gains in the outlook periods. In percentage and absolute terms, leisure and hospitality services employment is anticipated to grow the quickest among all supersectors. Over the first three quarters of FY23, the leisure and hospitality services employment sector is on track to net roughly 18,300 annualized jobs, accounting for an increase of 9.6 percent compared to the same three quarters in FY22. Employment in business services is forecasted to increase by approximately 13,600 annualized jobs, an increase of 6.1 percent compared to the first three quarters one year prior.

Growth in the goods-producing sector is expected to be slightly stronger than the service-providing sectors. The 5.1 percent change reflected in the goods-producing sector over the first, second, and third quarters of FY23 accounts for a total gain of roughly 16,600 annualized jobs, compared to the same periods one year prior. Manufacturing employment is forecasted to be the bright spot within the goods-producing sector, increasing by an estimated 13,900 annualized jobs, a percentage change of 5.7 percent. Manufacturing employment remains a major driving force behind Kentucky's continued economic growth.

Government employment, which includes federal, state, and local government jobs, is on an upswing and forecasted to continue its trend of modest growth over the first three quarters of FY23. The government sector is expected to increase by approximately 4,300 annualized jobs, a 1.4 percent increase, compared to the same quarters in FY22.

Table 5
KY Labor and Income Outlook
Interim Forecast

	Q1, Q2, & Q3			
	FY23	FY22	\$ Chg	% Chg
Non-farm Employment (thousands, NSA)	1,977.2	1,917.1	60.1	3.1
Goods-producing	344.3	327.8	16.6	5.1
Construction	81.1	78.8	2.3	2.9
Mining	8.0	7.6	0.4	5.1
Manufacturing	255.3	241.4	13.9	5.7
Service-providing	1,331.0	1,291.7	39.2	3.0
Trade, Transportation & Utilities	416.2	417.6	-1.4	-0.3
Information	21.0	21.2	-0.2	-1.0
Finance	98.3	95.7	2.6	2.7
Business Services	235.3	221.7	13.6	6.1
Educational Services	286.9	282.4	4.4	1.6
Leisure and Hospitality Services	208.6	190.3	18.3	9.6
Other Services	64.6	62.8	1.8	2.8
Government	302.0	297.7	4.3	1.4
Personal Income (\$ billions, AR)	231.6	223.8	7.8	3.5
Wages and Salaries	115.9	109.0	6.9	6.4
Transfer Receipts	59.1	60.2	-1.1	-1.8
Dividends, Interest, and Rents	35.3	33.5	1.8	5.3
Supplements to Wages and Salaries	28.5	27.0	1.5	5.7
Proprietors' Income	15.3	15.5	-0.2	-1.6
Social Insurance	19.9	18.6	1.3	6.8
Residence Adjustment	-2.5	-2.7	0.1	-5.6

REVENUE RECEIPTS

GENERAL FUND Fourth Quarter, FY22

General Fund revenues grew at an exceptional rate during FY22, posting the highest annual growth rate in 31 years. Collections increased 14.6 percent for the year and grew at a double-digit rate in three of the four quarters during the year. Fourth quarter revenues totaled \$4,448.7 million, a \$644.6 million difference from the \$3,804.1 million collected in the fourth quarter of FY21. Detailed information on these and other accounts is available in Table 6 and Appendix A.

Individual income tax receipts rose 30.5 percent in the quarter to \$2,118.0 million as all components of the tax increased. Withholding, estimated payments and net payments with returns all had increases in excess of \$150.0 million.

Sales and use tax revenue rose 4.5 percent in the fourth quarter of FY22. Receipts were \$1,350.9 million compared to the \$1,293.0 million collected in the fourth quarter of FY21.

Property tax collections decreased \$4.6 million, or 5.8 percent, in the fourth quarter as public service property and omitted and delinquent collections accounted for the majority of the losses. Collections in the final three months were \$74.6 million compared to \$79.2 million received in the fourth quarter of the prior fiscal year.

Lottery receipts fell 22.1 percent, or \$18.3 million, to \$64.7 million in the fourth quarter of the year.

Table 6				
Summary General Fund Receipts				
\$ millions				
	FY22	FY21	Diff	Diff
	Q4	Q4	\$	%
Individual Income	2,118.0	1,623.3	494.7	30.5
Sales & Use	1,350.9	1,293.0	57.9	4.5
Corp. Inc. & LLET	507.1	405.9	101.2	24.9
Property	74.6	79.2	-4.6	-5.8
Lottery	64.7	83.0	-18.3	-22.1
Cigarettes	83.9	91.1	-7.2	-7.9
Coal Severance	21.4	13.8	7.6	55.4
Other	228.1	214.8	13.3	6.2
Total	4,448.7	3,804.1	644.6	16.9

Combined corporation income and limited liability entity tax (LLET) collections increased 24.9 percent in the fourth quarter of FY22. Receipts totaled \$507.1 million and were \$101.2 million more than collected a year earlier.

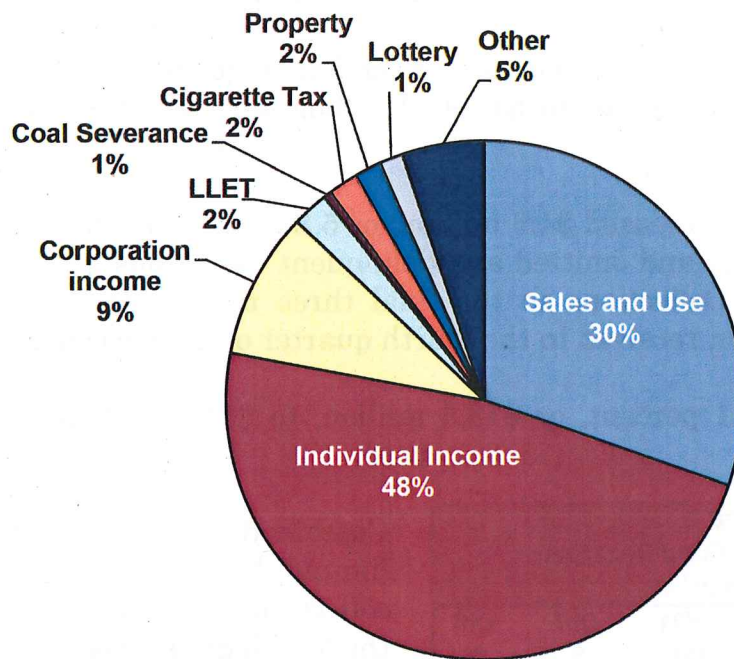
Coal severance tax collections rose 55.4 percent in the fourth quarter to \$21.4 million. This represents a \$7.6 million rise over prior year receipts.

Cigarette tax revenue fell 7.9 percent in the final quarter of the FY22. Receipts of \$83.9 million were \$7.2 million less than collected in the fourth quarter of FY21.

The “other” category encompasses the remaining General Fund taxes and fees. Collections in this account increased 6.2 percent, or \$13.3 million over FY21 levels. Fourth quarter receipts were \$228.1 million and compare to \$214.8 million collected in the prior year.

Figure A details the composition of fourth quarter General Fund receipts by tax type. Seventy-eight percent of General Fund revenues were in the areas of the individual income tax and the sales tax. The next-largest source of revenue was the corporation and LLET taxes at 11 percent followed by the “other” account at five percent. The largest components in this category include the insurance premium taxes, the telecommunications tax, and the alcohol taxes. Cigarette and property taxes each accounted for two percent while lottery and coal were each at one percent.

Figure A
Composition of Fourth Quarter FY22
General Fund Revenues



ROAD FUND
Fourth Quarter, FY22

Road Fund receipts posted a surprisingly good quarter relative to the record-breaking fourth quarter in FY21, when Road Fund receipts rose an astounding 43.8 percent. Collections were only \$12.0 million, or 2.6 percent, lower than prior year totals. Gains and losses were mixed among the accounts with four posting losses and three having gains. None of the changes were particularly large; however, the two major categories, motor fuels and motor vehicle usage, both had declines. Summary data are contained in Table 7 and detailed data are shown in Appendix A.

Motor fuels tax receipts decreased 0.8 percent, or \$1.5 million, during the fourth quarter of FY22 as gasoline prices shot up, reducing consumption of motor fuels. Receipts were \$198.0 million and compare to \$199.6 million collected during the fourth quarter last fiscal year.

Motor vehicle usage tax receipts totaled \$168.3 million for the quarter compared to \$180.4 million received last year, which was the highest total collected in any single quarter. Collections were 6.7 percent, or \$12.1 million, less than the same period last year.

Motor vehicle license tax collections grew 6.1 percent during the final quarter of the year. Receipts of \$51.1 million compared to \$48.2 million received during the fourth quarter of FY21.

Table 7				
Summary Road Fund Receipts				
\$ millions				
	FY22	FY21	Diff	Diff
	Q4	Q4	\$	%
Motor Fuels	198.0	199.6	-1.5	-0.8
Motor Vehicle Usage	168.3	180.4	-12.1	-6.7
Motor Vehicle License	51.1	48.2	2.9	6.1
Motor Vehicle Operators	8.0	6.7	1.3	19.6
Weight Distance	21.3	21.0	0.3	1.2
Income on Investments	-2.0	0.0	-2.0	N/A
Other	9.9	10.8	-0.9	-8.2
Total	454.6	466.7	-12.0	-2.6

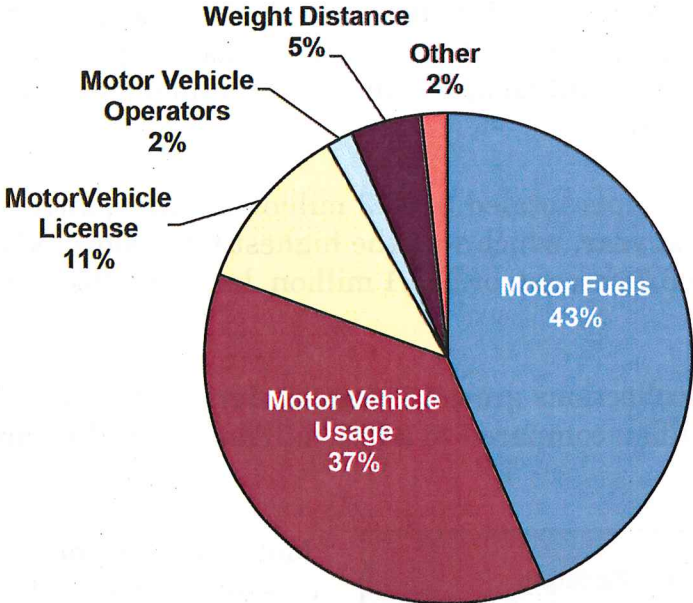
Motor vehicle operator's license fees totaled \$8.0 million in the just completed quarter, a 19.6 percent increase compared to the level observed a year ago.

Weight distance tax receipts increased 1.2 percent in the quarter with collections of \$21.3 million. This compares to revenue of \$21.0 million received in the fourth quarter of FY21.

The remainder of the accounts in the Road Fund combined to total \$7.9 million, a decline of 26.8 percent.

Figure B details the composition of Road Fund revenues by tax type in the fourth quarter of FY22. Motor fuels taxes and motor vehicle usage taxes comprised 80 percent of Road Fund revenues in the fourth quarter. The next-largest source of revenue was the motor vehicle license tax with 11 percent, followed by weight distance taxes with five percent. The “other” category, including income on investments, and the motor vehicle operators both accounted for two percent.

**Figure B
Composition of Fourth Quarter FY22
Road Fund Revenues**



**ANNUAL TOTALS, FY22
General Fund**

General Fund receipts grew for the 12th consecutive year and finished the year 14.6 percent over FY21 levels, which was the highest annual rate of growth in 31 years. A resurgent Kentucky economy helped lift sales and use, individual income and business tax receipts to robust annual increases. Collections for FY22 were \$14,702.5 million, which is \$644.6 million more than FY21 receipts.

Revenue collections grew at double-digit rates in three quarters of the fiscal year and 9.0 percent in the other quarter. Growth rates for the four quarters of FY22 were 20.0, 12.3, 9.0, and 16.9 percent, respectively. For the year, revenue from all but one of the major accounts increased over prior year totals. The sole declining account was the cigarette tax.

Final FY22 General Fund revenues exceeded the official revenue estimate by \$945.4 million as all the major accounts exceeded enacted levels. The three largest accounts, sales and use tax, individual income tax and the business taxes combined to exceed the enacted amount by \$951.1 million. The remaining accounts were \$5.7 million below the official estimates.

Individual income tax receipts grew strongly for the year, increasing 17.6 percent, or \$903.8 million, over FY21 levels. All the major components of the tax, withholding, declarations and net tax returns were up sharply. Withholding receipts, the largest component of individual income tax collections, grew 11.1 percent, much higher than in previous years having averaged 2.7 percent over the prior five years. Individual income tax growth rates for the four quarters were 6.5, 11.0, 17.3, and 30.5 percent, respectively.

Sales and use tax receipts increased 11.0 percent for the year which was the second largest annual increase since 1990 when the tax rate was increased from five percent to six percent. Fiscal year 2021 sales tax receipts grew by 12.0 percent. Quarterly growth rates in FY22 were 9.9, 16.8, 14.3, and 4.5 percent, respectively.

Corporation income and LLET tax collections taken together rose 34.4 percent, or \$303.8 million, in FY22. Revenue collections were strong throughout the year. Growth rates for these taxes were 76.0, 22.9, 30.1, and 24.9 percent, respectively.

Property tax receipts increased 3.0 percent, or \$21.4 million, in FY22. Much of that growth was from motor vehicle and general tangible property tax collections. Growth rates for the four quarters were 16.5, 5.3, -2.3, and -5.8 percent, respectively.

Lottery revenues deposited into the General Fund were \$295.0 million, or 2.0 percent over last year. Growth rates for the four quarters were 14.9, 9.4, 11.6, and -22.1 percent, respectively.

The cigarette tax was the only account to decline in FY22, falling \$25.5 million, or 7.3 percent. Revenues fell in each quarter of the year. Quarterly growth rates for the year were -4.4, -11.8, -4.3, and -7.9 percent, respectively.

Coal severance tax collections had a good year, increasing \$14.6 million, or 26.0 percent. Quarterly growth rates for this account were 6.1, 4.6, 40.4, and 55.4 percent, respectively.

The "other" category, which includes multiple taxes and fees such as insurance premium taxes, telecommunication tax, alcohol taxes, and inheritance taxes, increased 17.7 percent and were short of the budgeted estimate by \$22.4 million. Receipts of \$991.5 million compare to \$842.2 million collected in FY21. Quarterly growth rates for the "other" account were 148.2, 8.8, -39.6, and 6.2 percent, respectively.

Figure C details the composition of FY22 General Fund receipts by tax type. Seventy-five percent of General Fund revenues were in the areas of the individual income tax and the sales tax. The next-largest sources of revenue were the combined corporate and LLET taxes which accounted for eight percent and the “other” which accounted for seven percent. Property tax collections were five percent, cigarette taxes and lottery dividends each were two percent. Finally, coal severance taxes accounted for one percent.

Figure C
Composition of FY22 General Fund Revenues

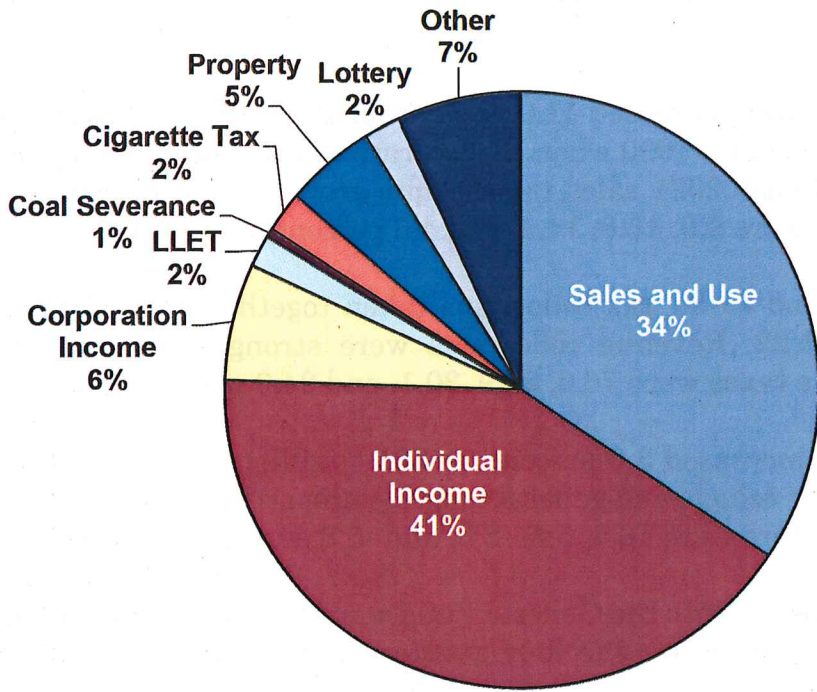


Table 8
General Fund Quarterly Growth Rates
percents

	FY22				
	Q1	Q2	Q3	Q4	Full Year
Individual Income	6.5	11.0	17.3	30.5	17.6
Sales & Use	9.9	16.8	14.3	4.5	11.0
Corp. Inc. & LLET	76.0	22.9	30.1	24.9	34.4
Property	16.5	5.3	-2.3	-5.8	3.0
Lottery	14.9	9.4	11.6	-22.1	2.0
Cigarettes	-4.4	-11.8	-4.3	-7.9	-7.3
Coal Severance	6.1	4.6	40.4	55.4	26.0
Other	148.2	8.8	-39.6	6.2	17.7
Total	20.0	12.3	9.0	16.9	14.6

Figure D
FY22 General Fund Quarterly Growth Rates
 percent

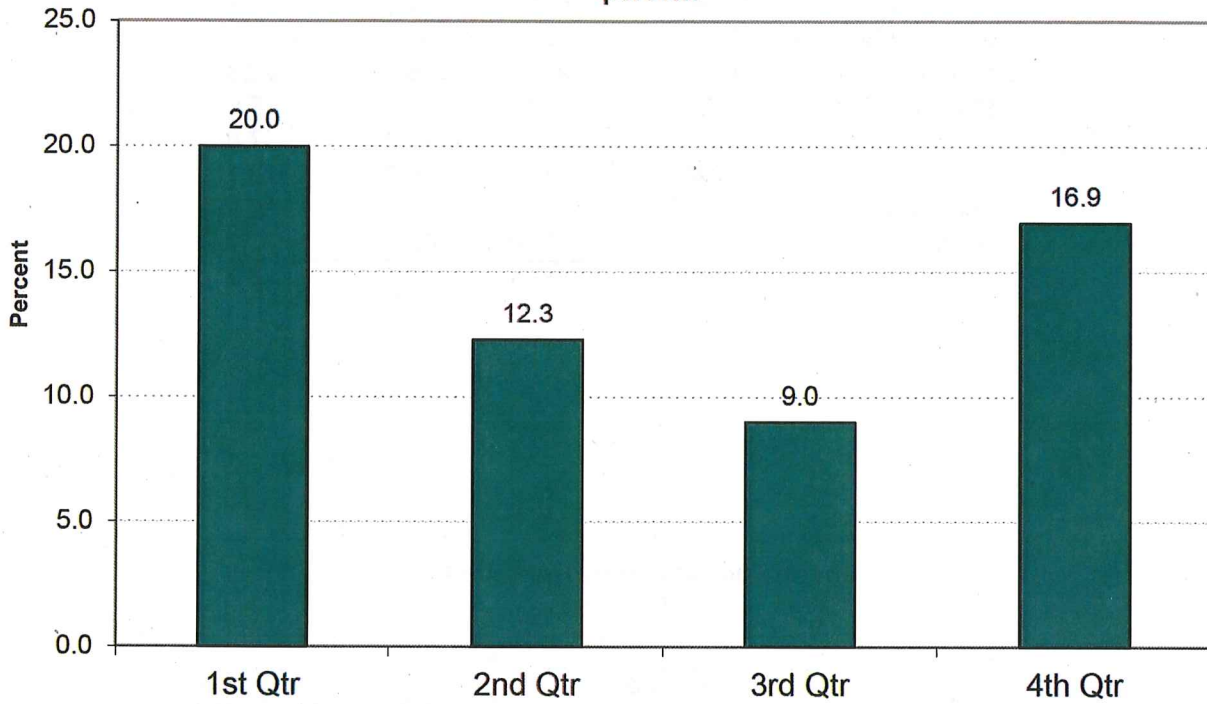


Table 9
General Fund Revenues Compared to Previous Years
 \$ millions

	Full Year			Growth Rates (%)		
	FY22	FY21	FY20	FY22	FY21	FY20
Individual Income	5,062.9	4,561.0	4,070.9	11.0	12.0	3.4
Sales & Use	6,047.5	5,143.8	4,765.2	17.6	7.9	4.9
Corp. Inc. & LLET	1,186.6	882.8	639.2	34.4	38.1	-16.2
Property	723.9	702.5	643.0	3.0	9.2	-0.6
Lottery	295.0	289.1	271.4	2.0	6.5	2.8
Cigarettes	324.5	349.9	355.0	-7.3	-1.4	0.4
Coal Severance	70.7	56.1	58.8	26.0	-4.7	-36.7
Other	991.5	842.2	763.1	17.7	10.4	-3.5
Total	14,702.5	12,827.4	11,566.6	14.6	10.9	1.5

Table 10
FY22 General Fund Receipts Compared to Official Estimate
\$ millions

	FY22		Difference	
	Actual	Estimate	\$	%
Individual Income	5,062.9	5,424.7	-361.8	-6.7
Sales & Use	6,047.5	4,950.7	1,096.8	22.2
Corp. Inc. & LLET	1,186.6	970.5	216.1	22.3
Property	723.9	679.2	44.7	6.6
Lottery	295.0	319.3	-24.3	-7.6
Cigarettes	324.5	334.7	-10.2	-3.1
Coal Severance	70.7	64.1	6.6	10.2
Other	991.5	1,013.9	-22.4	-2.2
Total	14,702.5	13,757.1	945.4	6.9

Table 11
General Fund Quarterly Revenue Receipts
\$ millions

	FY22				
	Q1	Q2	Q3	Q4	Full Year
Individual Income	1,262.3	1,279.8	1,387.4	2,118.0	6,047.5
Sales & Use	1,238.6	1,265.4	1,207.9	1,350.9	5,062.9
Corp. Inc. & LLET	290.6	287.3	101.6	507.1	1,186.6
Property	63.1	415.4	170.8	74.6	723.9
Lottery	69.5	83.8	77.0	64.7	295.0
Cigarettes	84.0	81.9	74.6	83.9	324.5
Coal Severance	12.9	17.4	18.9	21.4	70.7
Other	404.0	176.8	182.6	228.1	991.5
Total	3,424.9	3,607.9	3,220.9	4,448.7	14,702.5

ANNUAL TOTALS, FY22

Road Fund

Road Fund revenues for FY22 were \$1,675.4 million, an increase of 2.0 percent compared to FY21. Collections were moderate for the first three quarters of the year before falling 2.6 percent in the final three months. Collections increased in six of the seven major accounts: the exception being motor vehicle license. Revenues fell short of the official estimate by \$4.7 million. Growth rates for the four quarters were 3.5, 2.8, 5.2, and -2.6 percent, respectively.

Motor fuels tax receipts grew in each of the first three quarters of the year before declining slightly in the final quarter as a spike in gasoline prices adversely affected consumption. The small decline in the final three months wasn't enough to offset the increases over the initial nine months of the year. Total collections for the year were \$774.6 million, an increase of 3.5 percent over FY21 totals and the highest annual total since FY15. Quarterly growth rates for motor fuels taxes were 4.9, 4.7, 5.7, and -0.8 percent, respectively.

Like the motor fuels taxes, motor vehicle usage taxes were strong through the third quarter before declining in the final quarter. Collections were \$629.1 million and exceeded last year's previous all-time high by \$8.2 million. Growth rates for the four quarters were 3.8, 2.3, 7.8, and -6.7 percent, respectively.

Motor vehicle license tax receipts fell 1.5 percent for the year to \$123.7 million. Collections in the account had a large decline in the first quarter but increases in each of the next three quarters. Growth rates were -23.2, 4.0, 1.4, and 6.1 percent, respectively.

Weight distance tax receipts grew sharply in the first quarter and then stabilized over the final three quarters of FY22. Revenues ended the year up 4.8 percent with collections of \$87.2 million. Growth rates for the four quarters were 15.0, 2.3, 2.0, and 1.2 percent, respectively.

Motor vehicle operators' receipts grew strongly in three of the four quarters and ended the year up 29.1 percent, or \$6.4 million. The growth rates for this account were 37.7, -4.5, 61.3, and 19.6 percent, respectively. Income on investment ended the year at -\$11.0 million as rising interest rates hurt the marked-to-market values portfolio while "other" income rose 1.9 percent to \$43.3 million.

Total Road Fund collections were \$4.7 million under the official revenue estimate of \$1,680.1 million. Motor fuels taxes and income on investment were both more than \$10.0 million below estimate while the other accounts were each within \$9.4 million of the estimate.

Figure E details the composition of FY22 Road Fund receipts by tax type. Eighty-four percent of the Road Fund comes from motor vehicle usage and motor fuels taxes. Following these, the motor vehicle license tax accounted for seven percent and the weight distance tax accounted for five percent. The “other” taxes and income on investments combined to account for two percent as did motor vehicle operators.

Figure E
Composition of FY22 Road Fund Revenues

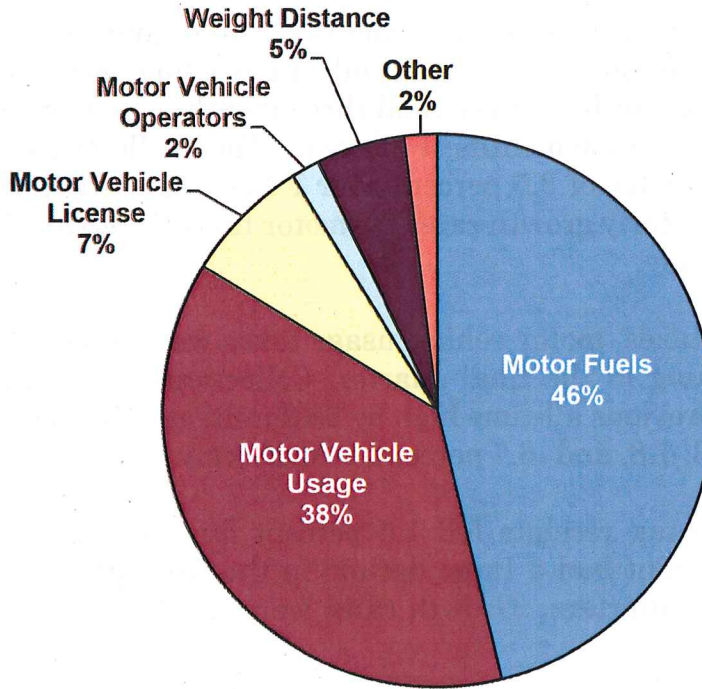


Table 12
Road Fund Quarterly Growth Rates
percents

	FY22				Full Year
	Q1	Q2	Q3	Q4	
Motor Fuels	4.9	4.7	5.7	-0.8	3.5
Motor Vehicle Usage	3.8	2.3	7.8	-6.7	1.3
Motor Vehicle License	-23.2	4.0	1.4	6.1	-1.5
Motor Vehicle Operators	37.7	-4.5	61.3	19.6	29.1
Weight Distance	15.0	2.3	2.0	1.2	4.8
Income on Investments	-32.4	NA	NA	10,184.2	8,575.8
Other	1.5	-5.4	16.3	-8.2	1.9
Total	3.5	2.8	5.2	-2.6	2.0

Figure F
FY22 Road Fund Quarterly Growth Rates
 percent

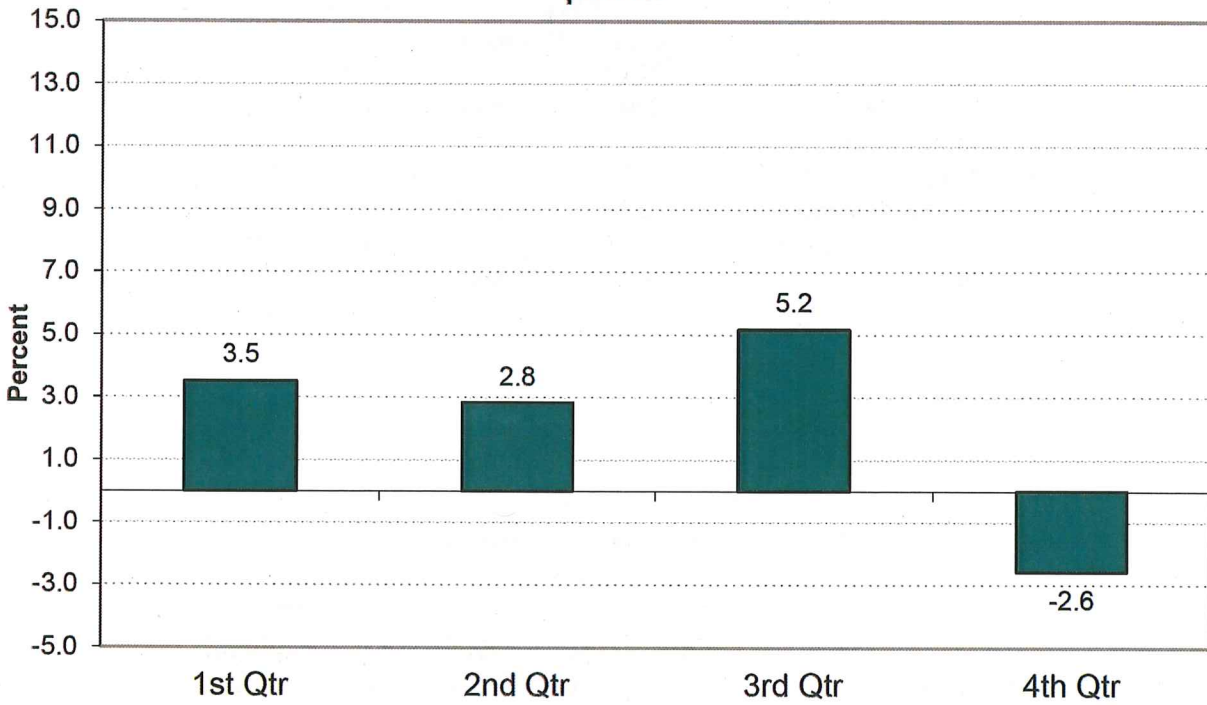


Table 13
Road Fund Revenues Compared to Previous Years
 \$ millions

	Full Year			Growth Rates (%)		
	FY22	FY21	FY20	FY22	FY21	FY20
Motor Fuels	774.6	748.4	741.6	3.5	0.9	-4.1
Motor Vehicle Usage	629.1	620.9	499.3	1.3	24.4	-3.0
Motor Vehicle License	123.7	125.5	108.6	-1.5	15.5	-10.2
Motor Vehicle Operators	28.5	22.1	12.9	29.1	70.8	-22.2
Weight Distance	87.2	83.2	83.4	4.8	-0.2	-0.4
Income on Investments	-11.0	-0.1	6.7	8,575.8	NA	-43.9
Other	43.3	42.5	39.0	1.9	8.9	-13.6
Total	1,675.4	1,642.3	1,491.5	2.0	10.1	-4.8

Table 14
FY22 Road Fund Receipts Compared to Official Estimate
\$ millions

	FY22		Difference	
	Actual	Estimate	\$	%
Motor Fuels	774.6	788.3	-13.7	-1.7
Motor Vehicle Usage	629.1	619.7	9.4	1.5
Motor Vehicle License	123.7	116.6	7.1	6.1
Motor Vehicle Operators	28.5	25.8	2.7	10.5
Weight Distance	87.2	90.5	-3.3	-3.6
Income on Investments	-11.0	-1.0	-10.0	1,001.9
Other	43.3	40.2	3.1	7.7
Total	1,675.4	1,680.1	-4.7	-0.3

Table 15
Road Fund Quarterly Revenue Receipts
\$ millions

	FY22				Full Year
	Q1	Q2	Q3	Q4	
Motor Fuels	201.5	194.4	180.7	198.0	774.6
Motor Vehicle Usage	164.0	143.0	153.8	168.3	629.1
Motor Vehicle License	19.7	19.8	33.1	51.1	123.7
Motor Vehicle Operators	7.4	4.4	8.7	8.0	28.5
Weight Distance	21.8	22.1	22.0	21.3	87.2
Income on Investments	0.1	-1.5	-7.6	-2.0	-11.0
Other	9.4	9.2	14.8	9.9	43.3
Total	423.8	391.3	405.6	454.6	1,675.4

THE ECONOMY

FOURTH QUARTER FY22

NATIONAL ECONOMY

Real Gross Domestic Product (real GDP) rose by 2.5 percent in the fourth quarter of FY22 over the fourth quarter of FY21. This is called the annual growth rate. To get a clearer picture of how real GDP is moving from quarter to quarter, real GDP in this quarter is compared to the previous quarter; this is called adjacent-quarter growth. For example, adjacent-quarter growth for fourth quarter real GDP is computed relative to third quarter real GDP. Adjacent-quarter growth is also the type of growth that is used to determine recession and expansion periods. The actual value for fourth quarter FY22 real GDP is still not available. Real GDP for a given quarter is reported three times, each time the estimate is given with more information available to make the estimate more precise. These three estimates are called the Advance Estimate, the Second Estimate, and the Third Estimate. The actual Advance Estimate from BEA for real GDP for the fourth quarter of FY22 will not be available until July 28, 2022. So until then, the IHS Markit forecast for fourth quarter real GDP growth is 0.6 percent. The last eight adjacent-quarter growth rates, following the 2020 recession, are: 7.5, 1.1, 1.5, 1.6, 0.6, 1.7, -0.4, and 0.6 percent, respectively.

Real consumption grew by 3.0 percent in the fourth quarter of FY22. Something quite fascinating has happened to real consumption in the last eight quarters - it has returned to the exact same long-run path that it had before the 2020 recession. Real consumption reached a trough in the fourth quarter of FY20 of \$11,756.4 billion. During the next four quarters, real consumption grew a net 16.2 percent to \$13,665.6 billion. Before the 2020 recession, real consumption was averaging 0.5 percent adjacent-quarter growth. If we set that average rate of growth to each quarter beginning in second quarter of FY20, then real consumption in the fourth quarter of FY22 would have been \$13,999.3 billion. The actual real consumption level in the fourth quarter of FY22 was slightly better than that with \$14,074.3 billion. The "stimulus" transfer payments from the federal government to individuals certainly made a significant difference to real consumption. So, while consumers still lost out on unrealized purchases and assets during the recession, they are almost back to a level of consumption that they might have attained had the recession not occurred. Real consumption made up 70.9 percent of real GDP in the fourth quarter of FY22.

Real investment grew by 9.0 percent in the fourth quarter of FY22. Most of that growth occurred in the second quarter of FY22. Moreover, real investment actually fell in the fourth quarter of FY22 compared to the third quarter of FY22. The last nine adjacent-quarter growth rates are: -15.4, 16.2, 5.7, -0.6, -1.0, 3.0, 8.1, 0.1, and -2.2 percent, respectively. Real investment has softened in the last two quarters,

largely due to the discontinuation of the stimulus transfers, which boosted investor's incomes. Real investment made up 19.2 percent of real GDP in the fourth quarter of FY22.

Real government expenditures declined by 0.9 percent in the fourth quarter of FY22. Real government expenditures actually only fell in the second and third quarters of FY22 on an adjacent-quarter basis. And that is the reason they are down annually. On an adjacent-quarter basis, real government expenditures rose in the fourth quarter of FY22. The last nine adjacent-quarter growth rates are: 1.0, -0.5, -0.1, 1.0, -0.5, 0.2, -0.7, -0.7, and 0.2 percent, respectively. Real government expenditures made up 16.8 percent of real GDP in the fourth quarter of FY22.

Real government expenditures is an inadequate data series to measure the full activities of federal, state and local governments, because it does not include expenditures from a government entity to state governments, county governments, municipality governments, corporations, or to individuals. That is why outlays are so useful. Outlays include all expenditures from any government entity to any source. Total outlays declined by 16.8 percent in the fourth quarter of FY22. The bulk of that decline was situated in three outlay categories. Federal Transfer Payments to Resident Persons, Non-Medicaid Grants to State & Local Governments, and Subsidies all declined by significant amounts in the fourth quarter of FY22 relative to the fourth quarter of FY21.

Federal Transfer Payments to Resident Persons declined by 14.5 percent in the fourth quarter of FY22 compared to the fourth quarter of FY21. See Table 18. This outlay contained the stimulus checks monies, which were authorized in the CARES Act in April 2020, the Tax Relief Act of 2020 in December 2020, and the American Rescue Plan in March 2021. It took some time for these stimulus checks to be processed and mailed to each citizen. And that is why some of these effects persist into the current quarter. Federal Transfer Payments to Resident Persons is still \$531.3 billion higher now, than it was before the first stimulus check went out. It is impossible to say how much of this is due to stimulus checks versus other forms of transfer payments that have gone up. The last nine adjacent-quarter growth rates are: 97.1, -27.2, -18.1, 78.6, -33.5, -7.0, -6.4, -1.9, and 0.05 percent, respectively. For comparison, real government expenditures for the fourth quarter of FY22 were \$3.3 trillion (annual rate), while total outlays for the fourth quarter of FY22 were \$6.2 trillion (annual rate). Federal Transfer Payments to Resident Persons is by far the largest category of outlays, which made up 46.2 percent of total outlays in the fourth quarter of FY22.

Non-Medicaid Grants to State & Local Governments declined by 28.7 percent, or \$318.5 billion (annual rate). This is also deceptive. On an adjacent-quarter basis, Non-Medicaid Grants to State & Local Governments declined for the first three quarters of the year and grew significantly in the fourth quarter of FY22. The last nine adjacent-quarter growth rates are: 322.5, -71.4, -8.4, 14.9, 311.4, -52.7, -31.1, -6.7, and 134.5 percent, respectively. Despite all those quarterly declines, Non-Medicaid Grants to State & Local Governments remains high historically. Before the 2020 recession, Non-Medicaid Grants to State & Local Governments was \$208.6

billion (annual rate) and it was \$793.0 billion in the fourth quarter of FY22. That is still \$584.4 billion above where it was before the recession. Non-Medicaid Grants to State & Local Governments made up 12.7 percent of total outlays in the fourth quarter of FY22.

Subsidies declined by 80.6 percent in the fourth quarter of FY22. However, on an adjacent-quarter basis the declines got steeper for the first three quarters and then moderated in the fourth quarter. The last nine adjacent-quarter growth rates are: 1,299.4, 8.6, -49.3, -34.7, 72.6, -20.4, -45.1, -51.0, and -9.6 percent, respectively. Before the 2020 recession, total subsidies were \$80.3 billion (annual rate). Subsidies in the fourth quarter of FY22 are \$135.0 billion (annual rate). The three outlay categories Federal Transfer Payments to Resident Persons, Non-Medicaid Grants to State & Local Governments, and Subsidies combined declined by \$1,370.6 billion in the fourth quarter of FY22 (annual rate). Total federal outlays declined by \$1,257.1 billion in the fourth quarter of FY22. The remaining outlays increased by a net \$113.5 billion. The Bureau of Economic Analysis official definition of Subsidies is "The monetary grants paid by government agencies to private business or to government enterprises at another level of government." Subsidies made up 2.2 percent of total outlays in the fourth quarter of FY22.

Real exports grew by 6.1 percent in the fourth quarter of FY22. Exports have been volatile since the end of the 2020 recession. The last nine adjacent-quarter growth rates are: -20.4, 11.5, 5.2, -0.7, 1.8, -1.4, 5.2, -1.4, and 3.7 percent, respectively. On net, real exports are still down relative to where they were before the recession. Real exports were \$2,553.3 billion in the second quarter of FY20 and are \$2,444.9 billion in the fourth quarter of FY22 (annual rate). Real exports made up 12.3 percent of real GDP in the fourth quarter of FY22.

Real imports grew by 11.1 percent in the fourth quarter of FY22. Real imports have increased in every quarter since the end of the 2020 recession. The last nine adjacent-quarter growth rates are: -17.2, 17.3, 7.0, 2.2, 1.7, 1.2, 4.2, 4.3, and 1.0 percent, respectively. On net, real imports are up significantly since before the recession. Real imports were \$3,400.9 billion in the second quarter of FY20 and are \$3,941.5 billion in the fourth quarter of FY22. Real imports (a deduction from real GDP) made up 19.9 percent of real GDP in the fourth quarter of FY22.

Inflation, measured as the current Consumer Price Index (CPI) relative to the CPI a year prior, is 8.0 percent for the second straight quarter. This is the highest inflation since the second quarter of FY82. The CPI for Food is 9.3 percent, while the CPI for Energy is 32.5 percent. This is the highest energy inflation since the fourth quarter of FY80. Also, energy inflation has been over 25.0 percent for the last five consecutive quarters.

US non-farm employment grew by 4.5 percent in the fourth quarter of FY22. This is also the eighth consecutive adjacent-quarter of growth for US non-farm employment. Before the 2020 recession, US non-farm employment was 151.9 million jobs. US non-farm employment is now 151.7 million jobs in the fourth quarter of FY22. US non-

farm employment lost 11.9 percent, or 18.1 million jobs, in the fourth quarter of FY20. US non-farm employment has now made up 98.7 percent of the recession losses.

US leisure and hospitality services employment grew the most in the fourth quarter of FY22, growing 13.0 percent. US leisure and hospitality services employment has grown the second fastest, 1.8 percent, among all the supersectors on an adjacent-quarter basis in the fourth quarter of FY22. The last nine adjacent-quarter growth rates are: -39.0, 23.2, 3.8, 1.1, 4.9, 4.3, 3.4, 3.0, and 1.8 percent, respectively. US leisure and hospitality services employment peaked at 16.7 million jobs right before the 2020 recession. US leisure and hospitality services employment was 15.6 million jobs in the fourth quarter of FY22. US leisure and hospitality services employment lost 6.5 million jobs during the recession. It has regained 5.4 million jobs from the trough to the fourth quarter of FY22. It has now made up 83.6 percent of the recession losses. US leisure and hospitality services employment made up 10.3 percent of total US non-farm employment in the fourth quarter of FY22.

US mining employment grew the second fastest, 10.2 percent, in the fourth quarter of FY22 compared to the fourth quarter of FY21. While on an adjacent-quarter basis, US mining employment grew the fastest in the fourth quarter, 3.1 percent. The last nine adjacent-quarter growth rates for US mining employment are: -12.3, -5.4, -1.8, -1.5, 2.5, 2.3, 1.8, 2.6, and 3.1 percent, respectively. US mining employment, the smallest supersector, made up 0.4 percent of total US non-farm employment in the fourth quarter of FY22.

US personal income grew 4.3 percent in the fourth quarter of FY22. This growth was accomplished despite large declines in US transfer receipts. US transfer receipts income fell by 9.8 percent in the fourth quarter of FY22. This was offset by strong growth in several other income categories including 11.1 percent growth in US wages and salaries income.

While US transfer receipts is down in the fourth quarter of FY22 relative to the fourth quarter of FY21, it has risen again since the third quarter of FY22. US transfer receipts peaked in the third quarter of FY21 with \$6.0 trillion. It then fell for four consecutive quarters. It then rose again in the fourth quarter of FY22 relative to the third quarter of FY22. The last nine quarters of adjacent-quarter growth for US transfer receipts are: 74.3 -22.4, -14.6, 60.4, -27.6, -4.4, -4.7, -1.1, and 0.2 percent, respectively. Before the three stimulus check bills, US transfer receipts peaked at \$3.2 trillion. US transfer receipts income in the fourth quarter of FY22 is \$3.9 trillion. US transfer receipts made up 18.1 percent of total US personal income in the fourth quarter of FY22.

US wages and salaries was the biggest mover in the fourth quarter. US wages and salaries income grew by 11.1 percent in the fourth quarter of FY22 over the fourth quarter of FY21. On an adjacent-quarter basis, US wages and salaries growth has been solid, but tapering, for the last eight quarters. The last nine adjacent-quarter growth rates are: -6.5, 4.8, 4.0, 1.0, 3.0, 3.0, 3.3, 2.4, and 2.0 percent, respectively. During the 2020 recession, US wages and salaries declined in just one quarter, and

lost 6.5 percent, or \$625.1 billion. It took US wages and salaries only two quarters to surpass its previous peak. US wages and salaries made up 52.4 percent of total US personal income in the fourth quarter of FY22.

Table 16
History of US Economic Series

	FY21		FY22							
	Q4	% chg	Q1	% chg	Q2	% chg	Q3	% chg	Q4	% chg
Real GDP (\$ billions, AR)	19,368.3	12.2	19,478.9	4.9	19,806.3	5.5	19,731.1	3.5	19,848.1	2.5
Real Consumption	13,665.6	16.2	13,732.4	7.1	13,818.4	6.9	13,924.8	4.8	14,074.3	3.0
Real Investment	3,506.0	20.8	3,609.7	7.1	3,903.0	9.6	3,907.8	10.3	3,820.6	9.0
Real Government Expenditures	3,373.8	-0.1	3,381.6	0.6	3,359.0	0.1	3,335.9	-1.6	3,342.1	-0.9
Real Exports	2,304.2	18.6	2,273.0	4.9	2,390.6	4.9	2,357.7	4.2	2,444.9	6.1
Real Imports	3,548.7	30.6	3,589.6	12.6	3,740.8	9.6	3,901.2	11.8	3,941.5	11.1
CPI - All Goods (% chg)	4.8	NA	5.3	NA	6.7	NA	8.0	NA	8.0	NA
CPI - Food (% chg)	2.3	NA	3.9	NA	5.9	NA	7.9	NA	9.3	NA
CPI - Energy (% chg)	25.8	NA	24.6	NA	30.7	NA	28.4	NA	32.5	NA
Core CPI (% chg)	3.7	NA	4.1	NA	5.0	NA	6.3	NA	5.7	NA
Industrial Prod. Index (% chg)	14.7	NA	5.5	NA	4.4	NA	5.3	NA	6.3	NA
Working Population (millions, NSA)	261.2	0.4	261.6	0.4	262.0	0.4	263.3	0.9	263.7	0.9
Civilian Labor Force	161.1	1.8	162.0	0.7	161.9	0.9	163.6	2.3	164.2	2.0
Employed	151.7	10.1	153.6	4.9	155.5	3.6	156.9	5.0	158.4	4.4
Unemployed	9.3	-54.3	8.4	-41.4	6.4	-38.8	6.7	-35.5	5.8	-37.9
Not in Labor Force	100.2	-1.6	99.6	-0.1	100.1	-0.4	99.7	-1.3	99.5	-0.7
Labor Force Participation Rate (%)	61.6	NA	61.7	NA	61.8	NA	62.3	NA	62.3	NA
Unemployment Rate (%)	5.9	NA	5.1	NA	4.2	NA	3.8	NA	3.6	NA
Housing Starts (millions, AR)	1.6	46.4	1.6	8.3	1.7	6.7	1.7	9.0	1.7	5.1

Table 17
History of US Labor and Income Data

	FY21		FY22							
	Q4	% chg	Q1	% chg	Q2	% chg	Q3	% chg	Q4	% chg
Non-farm Employment (millions, NSA)	145.2	8.5	146.9	4.6	148.6	4.3	150.4	4.6	151.7	4.5
Goods-producing	20.2	5.4	20.4	2.6	20.6	2.8	20.8	3.5	21.0	4.1
Mining	0.6	-6.2	0.6	1.5	0.6	5.2	0.6	9.5	0.6	10.2
Construction	7.4	7.1	7.4	2.6	7.5	2.4	7.6	3.2	7.7	3.6
Manufacturing	12.3	4.9	12.4	2.7	12.5	2.9	12.6	3.3	12.8	4.1
Service-providing	103.0	10.7	104.4	5.7	105.9	5.2	107.4	5.5	108.4	5.2
Trade, Transportation & Utilities	27.6	9.2	27.8	4.5	28.1	3.8	28.5	4.0	28.7	3.9
Information	2.8	6.8	2.9	7.9	2.9	7.1	2.9	6.1	3.0	5.8
Finance	8.7	1.6	8.8	1.5	8.8	1.5	8.9	1.8	8.9	2.3
Business Services	21.0	8.6	21.3	6.5	21.7	5.8	22.0	5.2	22.2	5.7
Educational Services	23.6	6.4	23.7	2.9	23.9	2.4	24.1	2.6	24.2	2.7
Leisure and Hospitality Services	13.8	35.7	14.4	14.9	14.9	14.3	15.4	16.5	15.6	13.0
Other Services	5.4	12.9	5.5	4.2	5.6	4.7	5.6	5.6	5.7	5.3
Government	22.0	1.8	22.1	1.4	22.1	1.8	22.2	1.6	22.3	1.3
Personal Income (\$ billions, AR)	20,669.9	1.6	20,823.8	5.3	21,010.0	7.5	21,258.3	-2.8	21,559.0	4.3
Wages and Salaries	10,180.4	13.4	10,487.2	11.4	10,828.3	10.7	11,086.1	12.2	11,306.4	11.1
Transfer Receipts	4,329.0	-23.2	4,137.5	-5.3	3,942.2	5.7	3,897.0	-34.9	3,903.8	-9.8
Dividends, Interest, and Rents	3,648.4	0.8	3,674.1	3.0	3,732.7	3.1	3,757.0	3.9	3,811.7	4.5
Supplements to Wages and Salaries	2,236.2	9.1	2,269.3	6.6	2,304.4	5.7	2,340.3	5.9	2,371.8	6.1
Proprietors' Income	1,848.2	25.6	1,867.0	6.0	1,858.5	7.4	1,877.0	9.5	1,895.2	2.5
Social Insurance	1,572.2	11.8	1,611.3	10.5	1,656.1	10.3	1,699.1	10.8	1,730.0	10.0
Residential Adjustment	0.0	NA	0.0	NA	0.0	NA	0.0	NA	0.0	NA

Table 18
US Federal Outlays
\$ billions, AR

	Q4			
	FY22	FY21	\$ Chg	% Chg
Federal Outlays excl. Gross Investment	6,233.3	7,490.5	-1,257.1	-16.8
National Defense	716.7	710.0	6.7	0.9
Non-Defense Consumption	502.9	498.1	4.8	1.0
Federal Transfer Payments to Resident Persons	2,882.1	3,372.3	-490.2	-14.5
Medicare	866.3	815.3	51.1	6.3
Social Security	1,202.9	1,109.7	93.3	8.4
Social Insurance to Rest of the World	28.0	29.4	-1.4	-4.8
Grants-in-Aid to State & Local Govts	1,356.1	1,632.2	-276.1	-16.9
Medicaid	563.1	520.7	42.4	8.1
Non-Medicaid Grants to State & Local Govts	793.0	1,111.5	-318.5	-28.7
Aid to Foreign Govts	43.6	45.7	-2.1	-4.5
Interest on the Debt	568.9	503.8	65.1	12.9
Subsidies	135.0	697.0	-562.0	-80.6

KENTUCKY ECONOMY

Kentucky non-farm employment rose by 3.9 percent in the fourth quarter of FY22 compared to the fourth quarter of FY21. On an adjacent-quarter basis, this is the eighth consecutive quarter of growth for Kentucky non-farm employment. The last nine quarters of adjacent-quarter growth are: -12.3, 6.9, 1.3, 1.6, 0.3, 0.7, 0.8, 1.0, and 1.3 percent, respectively. Growth in the fourth quarter came from a variety of supersectors, but the strongest growth came from leisure and hospitality services employment.

Leisure and hospitality services employment grew by 11.1 percent in the fourth quarter of FY22 relative to the fourth quarter of FY21. On an adjacent-quarter basis, leisure and hospitality services employment grew 0.5 percent in the fourth quarter of FY22 over the third quarter of FY22. Growth was much stronger in the first three quarters of the year. The last nine adjacent-quarter growth rates are: -36.4, 25.5, 1.8, 5.6, 1.9, 3.0, 3.9, 3.2, and 0.5 percent, respectively. Kentucky leisure and hospitality services employment is still below its pre-recession level. The previous peak for Kentucky leisure and hospitality services employment was 203.8 million jobs in the third quarter of FY20. Kentucky leisure and hospitality services employment in the fourth quarter of FY22 was 197.8 million jobs. The 2020 recession was devastating to Kentucky leisure and hospitality services employment. It lost 36.4 percent, or 74,200 jobs, in a single quarter. Kentucky leisure and hospitality services employment has gained a net 68,300 jobs since the trough of the recession. Therefore, leisure and hospitality services employment has regained 92.0 percent of recession job losses since the trough. Kentucky leisure and hospitality services employment made up 10.1 percent of total non-farm employment in the fourth quarter of FY22.

Kentucky mining employment was the only sector which lost jobs in the fourth quarter of FY22. It lost 0.7 percent, or 100 seasonally-adjusted jobs in the fourth quarter of FY22. Kentucky mining employment is the smallest supersector in the Commonwealth and makes up 0.4 percent of total non-farm employment in the state.

Kentucky personal income increased by 2.7 percent in the fourth quarter of FY22. Kentucky personal income has been erratic on an annual basis and on an adjacent-quarter basis for some time. The last nine adjacent-quarter growth rates are: 13.0, -7.5, 0.1, 14.7, -8.2, 1.6, -1.1, 0.9, and 1.3 percent, respectively. The two double-digit growth quarters were caused by surges in Kentucky transfer payments income. The declines that followed these large declines in Kentucky personal income was caused by declines in Kentucky transfer payments. Meanwhile, Kentucky wages and salaries income has been solid for the last eight quarters.

Kentucky wages and salaries grew by 9.3 percent in the fourth quarter of FY22. On an adjacent-quarter basis, Kentucky wages and salaries income has been solid, but tapering for the last four quarters. The last nine adjacent-quarter growth rates for Kentucky wages and salaries are: -7.5, 6.6, 2.9, 1.2, 2.0, 2.8, 2.2, 2.0, and 1.9 percent, respectively. It only took two quarters for Kentucky wages and salaries to surpass its previous peak following the 2020 recession. Kentucky wages and salaries is now \$14.4 billion, or a net 14.5 percent, above its pre-recession peak. Kentucky wages and salaries made up 49.9 percent of total Kentucky personal income in the fourth quarter of FY22.

The Kentucky transfer payments income was the primary cause of the large variation in Kentucky personal income over the last nine quarters. The significant growth in Kentucky transfer payments income was caused by three stimulus payments which were authorized in three different federal pieces of legislation. While the stimulus checks have largely all been sent out, Kentucky transfer payments income remains historically high. Before the 2020 recession, Kentucky transfer payments income was \$47.5 billion. Kentucky transfer payments income in the fourth quarter of FY22 was \$58.5 billion. So, while Kentucky transfer receipts income declined by 7.5 percent in the fourth quarter of FY22, it is still high historically speaking. The last nine adjacent-quarter growth rates for Kentucky transfer payments income are: 70.7, -28.5, -7.0, 54.7, 1.0, -8.4, -0.7, and 0.6 percent, respectively. Kentucky transfer receipts made up 25.7 percent of total Kentucky personal income in the fourth quarter of FY22.

Kentucky proprietors' income fell 3.4 percent in the fourth quarter of FY22. Kentucky proprietors' income has been falling on an adjacent-quarter basis for four consecutive quarters. Moreover, it has fallen in six of the last nine quarters as well. The last nine adjacent-quarter growth rates for Kentucky proprietors' income are: -4.2, 9.1, 7.9, -5.4, 10.1, -0.2, -2.4, -0.5, and 0.4 percent, respectively. Despite the fact that the decline quarters out-number the increase quarters, the increase quarters have been significantly stronger than the declines. Kentucky proprietors' income has grown a net \$2.4 billion, or 18.4 percent, since the last trough. Furthermore, Kentucky proprietors' income is up a net \$1.8 billion above its pre-recession peak.

Kentucky proprietors' income made up 6.7 percent of total Kentucky personal income in the fourth quarter of FY22.

Table 19
History of KY Labor and Income Data

	FY21		FY22		FY22		FY22		FY22	
	Q4	% chg	Q1	% chg	Q2	% chg	Q3	% chg	Q4	% chg
Non-farm Employment (thousands, NSA)	1,887.7	10.2	1,900.3	3.8	1,915.5	3.4	1,935.6	2.8	1,961.4	3.9
Goods-producing	328.3	10.6	329.7	2.9	327.8	0.8	325.8	-1.1	340.4	3.7
Mining	7.6	9.5	7.5	5.6	7.5	5.6	7.7	0.9	7.6	-0.7
Construction	78.8	6.2	78.9	3.0	78.4	0.2	79.0	0.0	80.9	2.7
Manufacturing	241.8	12.2	243.2	2.8	241.9	0.8	239.1	-1.5	251.9	4.2
Service-providing	1,266.7	12.8	1,275.2	5.0	1,289.4	4.5	1,310.6	4.0	1,322.1	4.4
Trade, Transportation & Utilities	409.0	8.2	411.3	3.2	417.2	3.0	424.3	3.7	420.3	2.8
Information	20.7	5.6	21.0	4.5	21.1	4.3	21.5	5.4	20.9	1.0
Finance	95.8	5.1	95.9	3.6	95.4	1.9	95.7	0.2	97.5	1.8
Business Services	219.2	13.5	219.5	6.3	219.7	3.5	225.8	3.9	232.8	6.2
Educational Services	281.8	9.9	281.0	2.8	282.4	2.1	283.9	1.1	287.9	2.2
Leisure and Hospitality Services	178.1	37.4	183.4	12.8	190.6	15.2	196.8	12.6	197.8	11.1
Other Services	62.2	12.6	63.0	3.5	63.0	3.0	62.5	0.9	64.8	4.1
Government	292.7	0.1	295.5	0.0	298.3	1.5	299.2	2.3	298.9	2.1
Personal Income (\$ billions, AR)	221.2	-2.5	224.8	7.1	222.3	5.8	224.3	-7.0	227.3	2.7
Wages and Salaries	103.8	13.3	106.7	9.3	109.0	8.5	111.2	9.3	113.4	9.3
Transfer Receipts	63.3	-24.9	63.9	6.2	58.6	4.5	58.2	-32.9	58.5	-7.5
Dividends, Interest, and Rents	33.0	0.5	33.2	2.4	33.6	2.5	33.8	3.3	34.3	4.1
Supplements to Wages and Salaries	26.2	10.5	26.5	5.4	27.0	5.0	27.4	4.9	27.8	6.1
Proprietors' Income	15.8	22.6	15.8	12.1	15.4	1.5	15.3	6.8	15.3	-3.4
Social Insurance	17.8	13.0	18.2	8.7	18.6	9.1	19.1	9.1	19.4	9.4
Residential Adjustment	-3.0	NA	-3.1	NA	-2.5	NA	-2.5	NA	-2.5	NA

Table 20
History and Outlook
Annual Growth Rates (%)

	FY21				FY22				FY23		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
United States											
Real GDP	-2.9	-2.3	0.5	12.2	4.9	5.5	3.5	2.5	2.5	1.4	2.1
Real Consumption	-2.8	-2.4	2.1	16.2	7.1	6.9	4.8	3.0	3.2	3.1	2.8
Real Investment	-4.7	2.4	3.2	20.8	7.1	9.6	10.3	9.0	6.2	-0.7	-1.0
Real Government Expenditures	2.1	1.2	1.3	-0.1	0.6	0.1	-1.6	-0.9	-0.9	-0.1	0.8
Real Exports	-14.9	-10.7	-7.4	18.6	4.9	4.9	4.2	6.1	8.8	4.6	7.4
Real Imports	-8.3	0.3	6.2	30.6	12.6	9.6	11.8	11.1	10.9	7.3	3.7
Personal Income	7.1	4.8	16.1	1.6	5.3	7.5	-2.8	4.3	4.9	5.2	5.0
Wage & Salary	0.9	3.4	2.9	13.4	11.4	10.7	12.2	11.1	9.5	7.5	6.2
Industrial Production Index	-6.7	-4.3	-1.6	14.7	5.5	4.4	5.3	6.3	6.5	5.9	4.2
Total Non-farm Employment	-7.0	-6.0	-5.4	8.5	4.6	4.3	4.6	4.5	3.8	3.0	2.0
Manufacturing Employment	-6.0	-5.0	-4.2	4.9	2.7	2.9	3.3	4.1	3.9	3.0	1.7
Unemployment Rate	8.8	6.8	6.2	5.9	5.1	4.2	3.8	3.6	3.6	3.7	3.8
Kentucky											
Personal Income	6.7	5.7	20.1	-2.5	7.1	5.8	-7.0	2.7	2.1	4.2	4.1
Wage & Salary	1.2	2.5	2.8	13.3	9.3	8.5	9.3	9.3	7.7	6.4	5.0
Non-farm Employment	-6.1	-4.9	-3.7	10.2	3.8	3.4	2.8	3.9	3.8	3.3	2.3
Goods Producing	-6.8	-4.9	-3.1	10.6	2.9	0.8	-1.1	3.7	4.1	5.1	6.0
Service Providing	-6.1	-4.7	-3.2	12.8	5.0	4.5	4.0	4.4	4.2	3.3	1.7
Government	-5.4	-5.9	-6.3	0.1	0.0	1.5	2.3	2.1	1.8	1.3	1.3

APPENDIX A

General Fund and Road Fund Revenue Receipts

Fourth Quarter FY22

KENTUCKY STATE GOVERNMENT GENERAL FUND REVENUE

	Fourth Quarter FY 2022	Fourth Quarter FY 2021	% Change	Year-To-Date FY 2022	Year-To-Date FY 2021	% Change
TOTAL GENERAL FUND	\$4,448,691,061	\$3,804,069,438	16.9%	\$14,702,460,457	\$12,827,432,329	14.6%
Tax Receipts	\$4,345,874,628	\$3,691,880,324	17.7%	\$14,072,971,696	\$12,412,875,889	13.4%
Sales and Gross Receipts	\$1,589,220,590	\$1,528,549,382	4.0%	\$5,909,080,340	\$5,407,385,853	9.3%
Beer Consumption	1,529,930	1,575,662	-2.9%	6,278,125	6,200,831	1.2%
Beer Wholesale	16,443,872	16,335,023	0.7%	66,130,324	63,363,832	4.4%
Cigarette	83,873,447	91,106,329	-7.9%	324,467,835	349,939,662	-7.3%
Distilled Spirits Case Sales	63,827	53,491	19.3%	227,893	202,034	12.8%
Distilled Spirits Consumption	4,817,925	4,617,701	4.3%	18,524,507	17,520,621	5.7%
Distilled Spirits Wholesale	18,474,980	17,011,248	8.6%	70,704,041	62,862,108	12.5%
Insurance Premium	61,070,811	56,220,417	8.6%	167,305,684	176,537,254	-5.2%
Pari-Mutuel	14,291,541	11,679,925	22.4%	47,733,411	31,229,897	52.8%
Race Track Admission	29,980	11,635	157.7%	135,855	21,551	530.4%
Sales and Use	1,350,923,418	1,293,030,020	4.5%	5,062,877,350	4,561,017,999	11.0%
Wine Consumption	802,648	854,556	-6.1%	3,336,159	3,461,261	-3.6%
Wine Wholesale	5,058,228	5,038,693	0.4%	20,558,087	19,936,744	3.1%
Telecommunications Tax	19,152,811	18,470,172	3.7%	76,442,296	73,910,160	3.4%
Other Tobacco Products	12,687,026	12,544,418	1.1%	44,383,010	41,174,942	7.8%
Floor Stock Tax	147	93	58.1%	(24,238)	6,958	—
Natural Resources	\$32,311,538	\$22,352,097	44.6%	\$109,019,465	\$84,445,676	29.1%
Coal Severance	21,444,452	13,803,290	55.4%	70,653,864	56,073,988	26.0%
Oil Production	2,357,008	1,537,290	53.3%	7,547,757	4,200,401	79.7%
Minerals Severance	5,357,119	5,455,968	-1.8%	21,366,603	20,607,726	3.7%
Natural Gas Severance	3,152,958	1,555,549	102.7%	9,451,241	3,563,561	165.2%
Individual Income Tax	\$2,118,012,755	\$1,623,269,258	30.5%	\$6,047,528,269	\$5,143,769,886	17.6%
Withholding	1,357,708,637	1,181,316,806	14.9%	5,031,080,044	4,530,181,517	11.1%
Declarations	465,948,229	309,095,394	50.7%	792,235,265	611,067,850	29.6%
Net Returns	291,497,793	131,198,554	122.2%	222,234,154	3,297,329	6639.8%
Fiduciary	2,858,095	1,658,505	72.3%	1,978,806	(776,810)	—
Major Business Taxes	\$507,109,412	\$405,904,298	24.9%	\$1,186,604,333	\$882,849,382	34.4%
Corporation Income	406,760,663	315,018,177	29.1%	932,591,147	608,017,501	53.4%
LLET	100,348,749	90,886,121	10.4%	254,013,185	274,831,881	-7.6%
Property	\$74,617,797	\$79,177,466	-5.8%	\$723,856,929	\$702,475,525	3.0%
General - Real	5,061,463	5,347,581	-5.4%	325,304,164	317,378,436	2.5%
General - Tangible	5,491,374	6,805,462	-19.3%	124,381,606	125,222,507	-0.7%
Tangible - Motor Vehicle	61,342,985	57,828,417	6.1%	179,189,332	166,267,113	7.8%
Omitted & Delinquent	226,064	3,095,088	-92.7%	17,426,030	17,994,932	-3.2%
Public Service	2,501,147	6,038,866	-58.6%	74,646,765	72,960,107	2.3%
Other	(5,235)	62,052	—	2,909,032	2,652,430	9.7%
Inheritance Tax	\$19,903,867	\$19,269,721	3.3%	\$81,264,890	\$62,068,793	30.9%
Miscellaneous	\$4,698,668	\$13,358,102	-64.8%	\$15,617,470	\$129,880,774	-88.0%
License and Privilege	\$600,925	\$719,278	-16.5%	1,832,117	1,929,759	-5.1%
Bank Franchise	(\$496,412)	\$7,927,276	—	622,155	116,008,780	-99.5%
Legal Process	2,258,190	2,563,310	-11.9%	9,879,393	8,375,726	18.0%
T. V. A. In Lieu Payments	2,308,855	2,143,950	7.7%	3,208,136	3,252,452	-1.4%
Other	27,111	4,288	—	75,670	314,056	-75.9%
Nontax Receipts	\$103,574,460	\$111,670,864	-7.3%	\$623,610,826	\$395,847,843	57.5%
Departmental Fees	4,117,687	4,032,134	2.1%	13,891,710	11,508,943	20.7%
PSC Assessment Fee	2,318,214	2,318,279	0.0%	15,819,870	16,663,260	-5.1%
Fines & Forfeitures	5,016,723	4,521,358	11.0%	18,644,760	12,728,359	46.5%
Income on Investments	2,439,186	270,476	801.8%	585,342	(344,153)	—
Lottery	64,657,312	82,995,455	-22.1%	295,000,000	289,100,000	2.0%
Miscellaneous	25,025,338	17,533,162	—	279,669,144	66,191,433	322.5%
Redeposit of State Funds	(\$758,026)	\$518,251	---	\$5,877,936	\$18,708,597	-68.6%

KENTUCKY STATE GOVERNMENT ROAD FUND REVENUE

	Fourth Quarter FY 2022	Fourth Quarter FY 2021	% Change	Year-To-Date FY 2022	Year-To-Date FY 2021	% Change
TOTAL STATE ROAD FUND	\$454,627,599	\$466,653,758	-2.6%	\$1,675,354,852	\$1,642,340,305	2.0%
Tax Receipts-	\$449,008,998	\$458,821,798	-2.1%	\$1,657,098,864	\$1,614,526,694	2.6%
Sales and Gross Receipts	\$366,351,804	\$379,996,786	-3.6%	\$1,403,734,092	\$1,369,253,236	2.5%
Motor Fuels Taxes	198,033,558	199,580,653	-0.8%	774,647,395	748,377,115	3.5%
Motor Vehicle Usage	168,318,246	180,416,133	-6.7%	629,086,696	620,876,121	1.3%
License and Privilege	\$82,657,193	\$78,825,012	4.9%	\$253,364,772	\$245,273,458	3.3%
Motor Vehicles	51,122,135	48,201,182	6.1%	123,656,728	125,481,645	-1.5%
Motor Vehicle Operators	8,005,174	6,691,679	19.6%	28,504,651	22,080,766	29.1%
Weight Distance	21,293,481	21,031,968	1.2%	87,201,685	83,185,252	4.8%
Truck Decal Fees	89,420	75,480	18.5%	183,160	145,500	25.9%
Other Special Fees	2,146,983	2,824,704	-24.0%	13,818,548	14,380,295	-3.9%
Nontax Receipts	\$5,396,571	\$7,246,736	-25.5%	\$17,566,474	\$26,934,560	-34.8%
Departmental Fees	6,383,128	5,994,320	6.5%	24,699,775	21,907,240	12.7%
In Lieu of Traffic Fines	51,660	64,260	-19.6%	227,990	210,555	8.3%
Income on Investments	(2,019,369)	(19,632)	—	(11,019,731)	(118,008)	—
Miscellaneous	981,152	1,207,787	-18.8%	3,658,440	4,934,773	-25.9%
Redeposit of State Funds	\$222,030	\$585,224	-62.1%	\$689,514	\$879,051	-21.6%

APPENDIX B

Summary Statistics for General Fund Major Revenue Sources Fiscal Years 2013- 2022 (\$)

	FY13	FY14	FY15	FY16	FY17
TOTAL GENERAL FUND	9,348,326,000	9,462,035,017	9,966,630,897	10,338,884,795	10,477,848,874
Tax Receipts	8,992,372,146	9,126,466,009	9,637,987,521	9,988,342,493	10,132,685,779
Sales and Gross Receipts	3,616,732,159	3,716,809,229	3,854,700,860	4,062,700,426	4,086,441,364
Beer Consumption	6,190,085	6,226,880	6,071,389	6,557,744	6,205,443
Beer Wholesale	53,750,045	57,969,185	57,570,011	61,161,655	59,525,060
Cigarette	238,669,895	228,076,834	220,902,529	224,303,658	221,375,451
Cigarette Floor Stock	19,426	-1,887	11,502	8,108	6,040
Distilled Spirits Case Sales	122,873	127,875	132,802	136,488	153,781
Distilled Spirits Consumption	11,962,448	11,961,270	12,468,749	12,823,273	14,237,920
Distilled Spirits Wholesale	31,911,903	33,829,202	36,471,357	38,886,865	44,064,952
Insurance Premium	139,471,024	141,638,641	146,480,663	145,250,375	148,188,827
Pari-Mutuel	4,842,847	2,421,099	2,964,884	4,993,574	6,807,535
Race Track Admission	184,269	213,958	155,426	229,416	174,356
Sales and Use	3,021,794,387	3,131,126,876	3,267,331,025	3,462,704,116	3,485,215,349
Wine Consumption	2,856,119	2,896,687	2,912,784	3,102,163	3,084,190
Wine Wholesale	14,959,504	15,523,357	16,323,658	16,583,413	18,289,377
Telecommunications Tax	68,327,915	63,897,510	63,575,235	64,681,001	57,540,002
Other Tobacco Products	21,669,418	20,901,740	21,328,845	21,278,667	21,573,080
License and Privilege	100,211,825	105,181,651	101,926,285	111,094,998	107,690,065
Alc. Bev. License & Suspension	402,958	343,952	450,542	480,675	367,853
Corporation License	-294,874	814,539	188,600	135,698	7,423
Corporation Organization	97,963	47,491	186,635	136,720	982,251
Occupational Licenses	137,311	214,153	202,297	289,193	229,579
Race Track License	264,011	291,300	247,766	324,375	276,596
Bank Franchise Tax	98,971,258	102,857,446	99,990,669	109,049,728	105,129,792
Driver License Fees	633,198	612,770	659,776	678,609	696,570
Natural Resources	269,486,287	241,988,627	220,613,349	149,405,136	130,063,924
Coal Severance	230,540,150	197,525,899	180,283,352	120,610,311	100,455,465
Oil Production	10,974,127	13,128,040	9,840,015	4,748,862	5,120,700
Minerals Severance	13,306,647	12,298,663	15,128,385	17,596,331	16,923,270
Natural Gas Severance	14,665,363	19,036,025	15,361,597	6,449,632	7,564,489
Income	4,369,839,147	4,423,722,549	4,821,410,590	5,011,709,477	5,136,952,770
Corporation	400,752,175	475,120,319	528,118,737	526,637,870	497,479,037
Individual	3,722,963,791	3,749,257,830	4,069,500,570	4,282,080,975	4,393,862,556
LLET	246,123,181	199,344,400	223,791,283	202,990,632	245,611,177
Property	558,378,328	562,428,448	563,435,472	577,548,052	602,095,597
Bank Deposits	588,098	581,157	588,914	632,587	644,459
Building & Loan Association	2,332,923	1,806,976	1,482,051	2,191,706	2,369,893
Distilled Spirits	772,733	854,637	891,761	961,388	1,020,812
General - Intangible	-	816	-	-	-
General - Real	257,970,441	258,284,309	259,228,298	268,087,934	273,935,818
General - Tangible	216,942,082	223,393,888	226,137,118	237,464,692	244,469,542
Omitted & Delinquent	26,972,243	21,276,527	16,237,196	11,991,240	15,966,205
Public Service	52,795,179	51,859,325	58,864,760	56,210,797	63,680,782
Other	4,629	5,807,422	5,374	7,708	8,087
Inheritance	41,326,220	45,843,849	50,975,858	51,247,149	44,699,808
Miscellaneous	36,398,182	30,491,656	24,925,107	24,637,267	24,742,251
Legal Process	19,748,614	16,792,670	15,435,811	14,479,452	13,299,585
T. V. A. In Lieu Payments	16,600,467	13,646,200	9,452,432	10,119,811	11,350,177
Other	49,101	52,786	36,863	38,005	92,490
Nontax Receipts	353,103,427	333,860,106	326,949,419	344,822,276	335,817,562
Departmental Fees	28,494,072	24,489,562	22,036,475	21,891,588	21,805,380
PSC Assessment Fee	13,205,508	17,155,431	20,829,264	14,367,915	13,784,610
Fines & Forfeitures	28,264,706	24,747,942	22,771,487	21,204,392	19,676,290
Interest on Investments	711,516	(176,256)	213,267	287,789	-1,129,875
Lottery	215,266,568	219,500,743	221,500,000	241,778,429	241,627,129
Sale of NOx Credits	50,892	104,242	27,594	0	0
Miscellaneous	67,110,164	48,038,442	39,571,333	45,292,162	40,054,028
Redeposit of State Funds	2,850,428	1,708,902	1,693,958	5,720,026	9,345,533

	FY18	FY19	FY20	FY21	FY22
TOTAL GENERAL FUND	10,838,200,084	11,392,698,460	11,566,621,672	12,827,432,329	14,702,460,457
Tax Receipts	10,497,829,798	10,988,227,884	11,185,135,285	12,414,752,386	14,072,971,696
Sales and Gross Receipts	4,211,205,101	4,717,609,351	4,859,752,240	5,407,385,853	5,909,080,340
Beer Consumption	6,069,024	5,885,046	6,147,066	6,200,831	6,278,125
Beer Wholesale	59,119,872	56,215,810	61,686,347	63,363,832	66,130,324
Cigarette	211,834,789	353,452,495	354,965,469	349,939,662	324,467,834
Cigarette Floor Stock	-3,399	21,289,650	51,120	6,958	-24,238
Distilled Spirits Case Sales	155,861	163,929	180,755	202,034	227,894
Distilled Spirits Consumption	14,288,035	14,756,577	15,928,560	17,520,621	18,524,507
Distilled Spirits Wholesale	45,559,663	49,288,861	53,860,774	62,862,108	70,704,041
Insurance Premium	157,154,273	165,476,033	168,803,965	176,537,254	167,305,685
Pari-Mutuel	7,894,063	14,578,083	15,771,742	31,229,897	47,733,411
Race Track Admission	195,837	214,345	143,685	21,551	135,855
Sales and Use	3,605,661,335	3,937,610,039	4,070,905,629	4,561,017,999	5,062,877,350
Wine Consumption	3,165,448	3,143,994	3,261,354	3,461,261	3,336,159
Wine Wholesale	17,445,613	17,608,228	17,837,410	19,936,744	20,558,086
Telecommunications Tax	61,125,754	55,757,372	68,074,621	73,910,160	76,442,297
Other Tobacco Products	21,538,933	22,168,888	22,133,743	41,174,942	44,383,011
License and Privilege	117,424,507	121,663,708	125,203,420	117,938,539	2,454,271
Alc. Bev. License & Suspension	559,200	320,000	264,150	225,350	303,050
Corporation License	11,596	62,947	83,625	197,340	146,936
Corporation Organization	54,471	314,310	65,992	35,791	56,907
Occupational Licenses	216,991	193,778	173,320	272,299	246,572
Race Track License	278,500	268,875	242,717	242,691	222,000
Bank Franchise Tax	115,617,923	119,821,064	123,097,210	116,008,780	622,155
Driver License Fees	685,826	682,734	1,276,406	956,288	856,652
Natural Resources	122,972,027	127,756,984	87,324,689	84,445,676	109,019,465
Coal Severance	89,643,238	92,906,947	58,820,499	56,073,988	70,653,864
Oil Production	5,360,469	5,910,918	4,591,931	4,200,401	7,547,757
Minerals Severance	18,181,584	18,926,560	19,425,087	20,607,726	21,366,602
Natural Gas Severance	9,786,736	10,012,558	4,487,171	3,563,561	9,451,241
Income	5,353,058,930	5,307,357,898	5,404,391,683	6,026,619,268	7,234,132,602
Corporation	511,352,679	555,976,332	346,366,518	608,017,501	932,591,148
Individual	4,603,578,834	4,544,676,175	4,765,235,522	5,143,769,886	6,047,528,269
LLET	238,127,417	206,705,391	292,789,644	274,831,881	254,013,185
Property	621,260,307	647,009,309	643,046,099	702,475,525	723,856,929
Bank Deposits	676,071	666,267	699,983	836,189	944,556
Building & Loan Association	2,158,239	1,701,042	1,609,784	51,057	0
Distilled Spirits	1,149,557	1,372,441	1,580,059	1,751,298	1,953,945
General - Intangible	-	-	-	-	-
General - Real	283,388,656	293,725,321	304,018,815	317,378,436	325,304,165
General - Tangible	254,292,498	258,458,750	251,537,841	291,489,619	303,570,938
Omitted & Delinquent	16,274,357	20,097,838	12,184,648	17,994,932	17,426,031
Public Service	63,313,796	70,981,420	71,408,609	72,960,107	74,646,764
Other	7,133	6,230	6,360	13,887	10,530
Inheritance	48,248,219	44,434,124	46,322,174	62,068,793	81,264,890
Miscellaneous	23,660,706	22,396,511	19,094,980	13,818,732	15,617,470
Legal Process	13,035,070	13,135,526	11,554,463	10,161,708	9,879,393
T. V. A. In Lieu Payments	10,575,611	9,251,250	6,657,123	3,252,452	3,208,136
Other	50,025	9,735	883,395	404,571	2,529,941
Nontax Receipts	334,713,465	393,632,360	363,353,087	393,971,345	623,610,826
Departmental Fees	22,657,477	17,464,180	15,286,507	11,508,943	13,891,710
PSC Assessment Fee	16,218,175	19,665,109	14,921,519	16,663,260	15,819,870
Fines & Forfeitures	17,829,955	19,960,970	15,576,601	12,728,359	18,644,759
Interest on Investments	-7,611,235	-10,553,105	-6,147,796	-344,153	585,342
Lottery	253,000,000	263,946,017	271,363,344	289,100,000	295,000,000
Sale of NOx Credits	0	0	0	0	0
Miscellaneous	32,619,094	83,149,189	52,352,911	64,314,936	279,669,144
Redeposit of State Funds	5,656,821	10,838,216	18,133,300	18,708,597	5,877,936

**General Fund Growth Rates
Major Revenue Sources
Fiscal Years 2013 – 2022
(%)**

	FY13	FY14	FY15	FY16	FY17
TOTAL GENERAL FUND	2.8%	1.2%	5.3%	3.7%	1.3%
Tax Receipts	2.3%	1.5%	5.6%	3.6%	1.4%
Sales and Gross Receipts	-0.9%	2.8%	3.7%	5.4%	0.6%
Beer Consumption	1.1%	0.6%	-2.5%	8.0%	-5.4%
Beer Wholesale	-0.7%	7.8%	-0.7%	6.2%	-2.7%
Cigarette	-6.3%	-4.4%	-3.1%	1.5%	-1.3%
Cigarette Floor Stock	-38.4%	-109.7%	-709.6%	-29.5%	-25.5%
Distilled Spirits Case Sales	---	---	3.9%	2.8%	12.7%
Distilled Spirits Consumption	5.3%	0.0%	4.2%	2.8%	11.0%
Distilled Spirits Wholesale	7.5%	6.0%	7.8%	6.6%	13.3%
Insurance Premium	4.8%	1.6%	3.4%	-0.8%	2.0%
Pari-Mutuel	---	-50.0%	22.5%	68.4%	36.3%
Race Track Admission	12.2%	16.1%	-27.4%	47.6%	-24.0%
Sales and Use	-1.0%	3.6%	4.4%	6.0%	0.7%
Wine Consumption	5.1%	1.4%	0.6%	6.5%	-0.6%
Wine Wholesale	6.1%	3.8%	5.2%	1.6%	10.3%
Telecommunications Tax	5.3%	-6.5%	-0.5%	1.7%	-11.0%
Other Tobacco Products	-0.3%	-3.5%	2.0%	-0.2%	1.4%
License and Privilege	-0.7%	5.0%	-3.1%	9.0%	-3.1%
Alc. Bev. License Suspension	43.2%	-14.6%	31.0%	6.7%	-23.5%
Corporation License	-105.5%	-376.2%	-76.8%	-28.0%	-94.5%
Corporation Organization	3.5%	-51.5%	293.0%	-26.7%	618.4%
Occupational Licenses	-12.5%	56.0%	-5.5%	43.0%	-20.6%
Race Track License	-3.1%	10.3%	-14.9%	30.9%	-14.7%
Bank Franchise Tax	5.1%	3.9%	-2.8%	9.1%	-3.6%
Driver License Fees	4.0%	-3.2%	7.7%	2.9%	2.6%
Natural Resources	-22.1%	-10.2%	-8.8%	-32.3%	-12.9%
Coal Severance	-22.7%	-14.3%	-8.7%	-33.1%	-16.7%
Oil Production	-8.2%	19.6%	-25.0%	-51.7%	7.8%
Minerals Severance	0.1%	-7.6%	23.0%	16.3%	-3.8%
Natural Gas Severance	-34.9%	29.8%	-19.3%	-58.0%	17.3%
Income	6.9%	1.2%	9.0%	3.9%	2.5%
Corporation	7.0%	18.6%	11.2%	-0.3%	-5.5%
Individual	6.0%	0.7%	8.5%	5.2%	2.6%
LLET	22.6%	-19.0%	12.3%	-9.3%	21.0%
Property	5.4%	0.7%	0.2%	2.5%	4.3%
Bank Deposits	3.0%	-1.2%	1.3%	7.4%	1.9%
Building & Loan Association	-5.3%	-22.5%	-18.0%	47.9%	8.1%
Distilled Spirits	2.4%	10.6%	4.3%	7.8%	6.2%
General - Intangible	---	---	---	---	---
General - Real	2.7%	0.1%	0.4%	3.4%	2.2%
General - Tangible	4.4%	3.0%	1.2%	5.0%	2.9%
Omitted & Delinquent	61.6%	-21.1%	-23.7%	-26.1%	33.1%
Public Service	5.5%	-1.8%	13.5%	-4.5%	13.3%
Other	34.9%	---	-99.9%	43.4%	4.9%
Inheritance	0.0%	10.9%	11.2%	0.5%	-12.8%
Miscellaneous	11.1%	-16.2%	-18.3%	-1.2%	0.4%
Legal Process	-1.1%	-15.0%	-8.1%	-6.2%	-8.1%
T. V. A. In Lieu Payments	30.6%	-17.8%	-30.7%	7.1%	12.2%
Other	-25.0%	7.5%	-30.2%	3.1%	143.4%
Nontax Receipts	17.0%	-5.4%	-2.1%	5.5%	-2.6%
Departmental Fees	8.7%	-14.1%	-10.0%	-0.7%	-0.4%
PSC Assessment Fee/	78.7%	29.9%	21.4%	-31.0%	-4.1%
Fines & Forfeitures	7.6%	-12.4%	-8.0%	-6.9%	-7.2%
Interest on Investments	-104.9%	---	---	34.9%	---
Lottery	2.1%	2.0%	0.9%	9.2%	-0.1%
Sale of NOx Credits	131.1%	104.8%	-73.5%	-100.0%	---
Miscellaneous	46.9%	-28.4%	-17.6%	14.5%	-11.6%
Redeposit of State Funds	15.0%	-40.0%	-36.3%	237.7%	63.4%

	FY18	FY19	FY20	FY21	FY22
TOTAL GENERAL FUND	3.4%	5.1%	1.5%	10.9%	14.6%
Tax Receipts	3.6%	4.7%	1.8%	11.0%	13.4%
Sales and Gross Receipts	3.1%	12.0%	3.0%	11.3%	9.3%
Beer Consumption	-2.2%	-3.0%	4.5%	0.9%	1.2%
Beer Wholesale	-0.7%	-4.9%	9.7%	2.7%	4.4%
Cigarette	-4.3%	66.9%	0.4%	-1.4%	-7.3%
Cigarette Floor Stock	---	---	-99.8%	-86.4%	-448.3%
Distilled Spirits Case Sales	1.4%	5.2%	10.3%	11.8%	12.8%
Distilled Spirits Consumption	0.4%	3.3%	7.9%	10.0%	5.7%
Distilled Spirits Wholesale	3.4%	-8.2%	9.3%	16.7%	12.5%
Insurance Premium	6.1%	5.3%	2.0%	4.6%	-5.2%
Pari-Mutuel	16.0%	84.7%	8.2%	98.0%	52.8%
Race Track Admission	12.3%	9.5%	-33.0%	-85.0%	530.4%
Sales and Use	3.5%	9.2%	3.4%	12.0%	11.0%
Wine Consumption	2.6%	-0.7%	3.7%	6.1%	-3.6%
Wine Wholesale	-4.6%	0.9%	1.3%	11.8%	3.1%
Telecommunications Tax	6.2%	-8.8%	22.1%	8.6%	3.4%
Other Tobacco Products	-0.2%	2.9%	-0.2%	86.0%	7.8%
License and Privilege	9.0%	3.6%	2.9%	-5.8%	-97.9%
Alc. Bev. License Suspension	52.0%	-42.8%	-17.5%	-14.7%	34.5%
Corporation License	56.2%	442.8%	32.9%	136.0%	-25.5%
Corporation Organization	-94.5%	477.0%	-79.0%	-45.8%	59.0%
Occupational Licenses	-5.5%	-10.7%	-10.6%	57.1%	-9.4%
Race Track License	0.7%	-3.5%	-9.7%	0.0%	-8.5%
Bank Franchise Tax	10.0%	3.6%	2.7%	-5.8%	-99.5%
Driver License Fees	-1.5%	-0.5%	87.0%	-25.1%	-10.4%
Natural Resources	-5.5%	3.9%	-31.6%	-3.3%	29.1%
Coal Severance	-10.8%	3.6%	-36.7%	-4.7%	26.0%
Oil Production	4.7%	10.3%	-22.3%	-8.5%	79.7%
Minerals Severance	7.4%	4.1%	2.6%	6.1%	3.7%
Natural Gas Severance	29.4%	2.3%	-55.2%	-20.6%	165.2%
Income	4.2%	-0.9%	1.8%	11.5%	20.0%
Corporation	2.8%	8.7%	-37.7%	75.5%	53.4%
Individual	4.8%	-1.3%	4.9%	7.9%	17.6%
LLET	-3.0%	-13.2%	41.6%	-6.1%	-7.6%
Property	3.2%	4.1%	-0.6%	9.2%	3.0%
Bank Deposits	4.9%	-1.5%	5.1%	19.5%	13.0%
Building & Loan Association	-8.9%	-21.2%	-5.4%	-96.8%	-100.0%
Distilled Spirits	12.6%	19.4%	15.1%	10.8%	11.6%
General - Intangible	---	---	---	---	---
General - Real	3.5%	3.6%	3.5%	4.4%	2.5%
General - Tangible	4.0%	1.6%	-2.7%	15.9%	4.1%
Omitted & Delinquent	1.9%	23.5%	-39.4%	47.7%	-3.2%
Public Service	-0.6%	12.1%	0.6%	2.2%	2.3%
Other	-11.8%	-12.7%	2.1%	118.3%	-24.2%
Inheritance	7.9%	-7.9%	4.2%	34.0%	30.9%
Miscellaneous	-4.4%	-5.3%	-14.7%	-27.6%	13.0%
Legal Process	-2.0%	0.8%	-12.0%	-12.1%	-2.8%
T. V. A. In Lieu Payments	-6.8%	-12.5%	-28.0%	-51.1%	-1.4%
Other	-45.9%	-80.5%	8974.4%	-54.2%	525.3%
Nontax Receipts	-0.3%	17.6%	-7.7%	8.4%	58.3%
Departmental Fees	3.9%	-22.9%	-12.5%	-24.7%	20.7%
PSC Assessment Fee	17.7%	21.3%	-24.1%	11.7%	-5.1%
Fines & Forfeitures	-9.4%	12.0%	-22.0%	-18.3%	46.5%
Interest on Investments	---	---	---	---	---
Lottery	4.7%	4.3%	2.8%	6.5%	2.0%
Sale of NOx Credits	---	---	---	---	---
Miscellaneous	-18.6%	154.9%	-37.0%	22.8%	334.8%
Redeposit of State Funds	-39.5%	91.6%	67.3%	3.2%	-68.6%

APPENDIX C

Summary Statistics for Road Fund Major Revenue Sources Fiscal Years 2013 – 2022 (\$)

	FY13	FY14	FY15	FY16	FY17
TOTAL STATE ROAD FUND	1,491,623,669	1,560,439,604	1,526,738,659	1,482,541,978	1,508,003,421
Tax Receipts-	1,471,593,789	1,535,727,564	1,501,667,661	1,458,382,671	1,484,228,925
Sales and Gross Receipts	1,265,175,199	1,329,208,128	1,283,046,179	1,234,432,155	1,260,348,857
Motor Fuels Taxes	838,344,373	886,161,042	850,276,246	750,034,840	760,514,967
Motor Vehicle Usage	426,830,826	443,047,087	432,769,932	484,397,314	499,833,891
License and Privilege	206,418,590	206,519,436	218,621,482	223,950,517	223,880,068
Motor Vehicles	102,256,080	101,879,541	107,554,129	113,114,908	111,927,466
Motor Vehicle Operators	16,049,755	16,150,032	15,958,491	16,331,496	16,120,127
Weight Distance	74,935,016	76,894,805	79,147,533	81,375,028	82,886,950
Truck Decal Fees	590,397	489,072	404,906	283,942	289,874
Other Special Fees	12,587,343	11,105,986	15,556,424	12,845,142	12,655,651
Nontax Receipts	18,023,074	22,833,411	22,358,605	23,041,935	22,938,976
Departmental Fees	17,094,723	17,368,008	17,766,834	19,308,449	19,473,809
In Lieu of Traffic Fines	702,451	544,637	465,304	427,255	378,757
Investment Income	-398,745	3,997,826	2,913,784	2,468,620	1,581,851
Miscellaneous	624,646	922,939	1,212,683	837,611	1,504,559
Redeposit of State Funds	2,006,806	1,880,271	2,712,394	1,117,372	835,520

	FY18	FY19	FY20	FY21	FY22
TOTAL STATE ROAD FUND	1,511,003,520	1,566,079,860	1,491,513,188	1,642,340,305	1,675,354,852
Tax Receipts-	1,483,223,103	1,527,527,150	1,459,053,657	1,614,526,694	1,657,098,864
Sales and Gross Receipts	1,258,070,574	1,287,770,861	1,240,878,729	1,369,253,236	1,403,734,092
Motor Fuels Taxes	764,937,870	773,248,338	741,601,128	748,377,115	774,647,395
Motor Vehicle Usage	493,132,705	514,522,523	499,277,601	620,876,121	629,086,696
License and Privilege	225,152,529	239,756,289	218,174,928	245,273,458	253,364,772
Motor Vehicles	112,850,030	120,900,980	108,626,329	125,481,645	123,656,728
Motor Vehicle Operators	16,794,541	16,631,111	12,930,555	22,080,766	28,504,651
Weight Distance	81,711,920	86,721,474	83,374,856	83,185,252	87,201,685
Truck Decal Fees	289,061	313,011	120,460	145,500	183,160
Other Special Fees	13,506,977	18,189,713	13,122,728	14,380,295	13,818,548
Nontax Receipts	26,904,635	36,942,367	32,083,175	26,934,560	17,566,474
Departmental Fees	20,951,634	20,633,454	20,315,948	21,907,240	24,699,775
In Lieu of Traffic Fines	353,405	410,389	282,892	210,555	227,990
Investment Income	2,837,474	11,923,927	6,688,478	-118,008	-11,019,731
Miscellaneous	2,762,123	3,974,598	4,795,857	4,934,773	3,658,440
Redeposit of State Funds	875,783	1,610,343	376,356	879,051	689,514

**Road Fund Growth Rates
Major Revenue Sources
Fiscal Years 2013 – 2022
(%)**

	FY13	FY14	FY15	FY16	FY17
TOTAL STATE ROAD FUND	3.3%	4.6%	-2.2%	-2.9%	1.7%
Tax Receipts -	3.9%	4.4%	-2.2%	-2.9%	1.8%
Sales and Gross Receipts	4.8%	5.1%	-3.5%	-3.8%	2.1%
Motor Fuels Taxes	6.1%	5.7%	-4.0%	-11.8%	1.4%
Motor Vehicle Usage	2.4%	3.8%	-2.3%	11.9%	3.2%
License and Privilege	-1.4%	0.0%	5.9%	2.4%	0.0%
Motor Vehicles	-5.2%	-0.4%	5.6%	5.2%	-1.0%
Motor Vehicle Operators	2.0%	0.6%	-1.2%	2.3%	-1.3%
Weight Distance	-0.2%	2.6%	2.9%	2.8%	1.9%
Truck Decal Fees	-19.8%	-17.2%	-17.2%	-29.9%	2.1%
Other Special Fees	26.0%	-11.8%	40.1%	-17.4%	-1.5%
Nontax Receipts	-32.6%	26.7%	-2.1%	3.1%	-0.4%
Departmental Fees	-21.9%	1.6%	2.3%	8.7%	0.9%
In Lieu of Traffic Fines	-8.7%	-22.5%	-14.6%	-8.2%	-11.4%
Investment Income	---	---	-27.1%	-15.3%	-35.9%
Miscellaneous	-38.1%	47.8%	31.4%	-30.9%	79.6%
Redeposit of State Funds	274.1%	-6.3%	44.3%	-58.8%	-25.2%

	FY18	FY19	FY20	FY21	FY22
TOTAL STATE ROAD FUND	0.2%	3.6%	-4.8%	10.1%	2.0%
Tax Receipts -	-0.1%	3.0%	-4.5%	10.7%	2.6%
Sales and Gross Receipts	-0.2%	2.4%	-3.6%	10.3%	2.5%
Motor Fuels Taxes	0.6%	1.1%	-4.1%	0.9%	3.5%
Motor Vehicle Usage	-1.3%	4.3%	-3.0%	24.4%	1.3%
License and Privilege	0.6%	6.5%	-9.0%	12.4%	3.3%
Motor Vehicles	0.8%	7.1%	-10.2%	15.5%	-1.5%
Motor Vehicle Operators	4.2%	-1.0%	-22.3%	70.8%	29.1%
Weight Distance	-1.4%	6.1%	-3.9%	-0.2%	4.8%
Truck Decal Fees	-0.3%	8.3%	-61.5%	20.8%	25.9%
Other Special Fees	6.7%	34.7%	-27.9%	9.6%	-3.9%
Nontax Receipts	17.3%	37.3%	-13.2%	-16.0%	-34.8%
Departmental Fees	7.6%	-1.5%	-1.5%	7.8%	12.7%
In Lieu of Traffic Fines	-6.7%	16.1%	-31.1%	-25.6%	8.3%
Investment Income	79.4%	320.2%	-43.9%	---	---
Miscellaneous	83.6%	43.9%	20.7%	2.9%	-25.9%
Redeposit of State Funds	4.8%	83.9%	-76.6%	133.6%	-21.6%

Glossary

Adjacent-quarter	A growth rate computed as the current quarter relative to the previous quarter.
AR	Annual Rate is the quantity of a series that would occur for the entire year, if the current period's growth were to continue for the entire year.
Civilian Labor Force	A subset of the working population who are currently employed or are actively looking for employment.
Employed	In the context of working population and civilian labor force data, Employed is a subset of the civilian labor force who are employed regardless of industry or profession. This is therefore different than non-farm employment, which explicitly does not include those persons employed in the agricultural sector.
Growth rate	Unless otherwise stipulated, a growth rate is computed as the current quarter relative to the same quarter of the previous year.
Labor Force Participation Rate	The Civilian Labor Force divided by the Working Population.
Not in Labor Force	A subset of the working population who have decided not to be employed nor seek employment.
SA	Seasonally-Adjusted
SAAR	Seasonally-Adjusted Annual Rate
Unemployed	In the context of working population and civilian labor force data, Unemployed is a subset of the civilian labor force who are not currently employed but are actively seeking employment.
Working population	The group of persons who are 16 years or older, non-institutionalized, not in prison, not in an old-age home, and not engaged in active military duty. It is meant to capture those persons who are capable of working and could work if suitable employment were found. Working population figures are listed in millions.

Tables Notes

Tables 3, 4, and 5

Data for FY23 Q1, Q2, and Q3 are June 2022 estimates.

Source: IHS Markit – Economics & Country Risk, June 8, 2022 data release.

Table 16

Real series are annual rate, billions of chained 2000 dollars.

Components do not sum to real GDP because they are annualized independently.

Data for FY22 Q4 are June 2022 estimates.

Source: IHS Markit - Economics & Country Risk, June 8, 2022 data release.

¹ Working population is the group of persons who are 16 years or older, non-institutionalized, not in prison, not in an old-age home and not engaged in active military duty. It is meant to capture those persons who are capable of working and could work if suitable employment were found. Working population figures are listed in millions.

² Civilian Labor Force is a subset of the working population who are currently employed or are actively looking for employment.

³ Employed is a subset of the civilian labor force who are employed regardless of industry or profession. This is therefore different than non-farm employment, which explicitly does not include those persons employed in the agricultural sector.

⁴ Unemployed is a subset of the civilian labor force who are not currently employed but are actively seeking employment.

⁵ Not in Labor Force is a subset of the working population who have decided not to be employed nor seek employment.

⁶ Labor Force Participation Rate is computed as the Civilian Labor Force divided by the Working Population.

Tables 17, 18, 19, and 20

Data for FY22 Q4 are June 2022 estimates.

Source: IHS Markit - Economics & Country Risk, June 8, 2022 data release.

