Commonwealth of Kentucky

Quarterly Economic & Revenue Report

First Quarter Fiscal Year 2018

Governor's Office for Economic Analysis

Office of State Budget Director

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October 30, 2017

The Honorable Matthew G. Bevin
Governor
Commonwealth of Kentucky
State Capitol Building
Frankfort, KY 40601

Dear Governor Bevin:

The *Quarterly Economic and Revenue Report* summarizes Kentucky's revenue and economic conditions for the first quarter of Fiscal Year 2018 (FY18). It also includes an interim economic and revenue forecast for the final three quarters of FY18.

The first quarter edition of the *Quarterly Report* during odd-numbered calendar years always coincides with the planning and preliminary budget estimates of the Consensus Forecasting Group (CFG). In addition, the Office of State Budget Director requested an official revision to the FY18 enacted revenue estimate pursuant to KRS 48.115 (2). Therefore, the estimates contained in the outlook section of this report are the new official General Fund estimates for FY18.

General Fund receipts in the first quarter of FY18 totaled $2,553.6 million compared to $2,482.4 million in the first quarter of FY17, for an increase of $71.2 million or 2.9 percent. The new official General Fund revenue estimate for FY18 calls for revenue to grow 2.3 percent compared to FY17 actual receipts. General Fund revenues need to increase 2.1 percent for the remainder of the fiscal year to meet the official estimate. ***The newly revised official FY18 General Fund estimate adopted by the CFG is $155.6 million lower than the FY18 enacted estimate.***

Road Fund revenues declined 0.5 percent in the first quarter of FY18, after increasing in four of the past five quarters. Going forward, revenues are projected to be flat over the remainder of the fiscal year.

In summary, since our last *Quarterly Report*:

- The CFG met in August for planning estimates, forecasting a FY18 shortfall of $206.2 million;
- First quarter of FY18 General Fund receipts grew by 2.9 percent;
- The CFG met in October for preliminary budget estimates and an official revision to FY18 General Fund enacted estimate;
- The newly revised official General Fund estimate for FY18 is projected to be $155.6 million less than the previous official estimate, which was originally rendered in December 2015. This reduced difference is largely due to a healthy first quarter of tax collections.

We will continue to closely monitor economic and revenue trends in the Commonwealth between now and the next report when the official budget estimates for the next biennium will have been revealed.

Sincerely,

John E. Chilton
State Budget Director

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Executive Summary . . . .

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) has prepared a *Quarterly Economic and Revenue Report* for the first quarter of Fiscal Year 2018 (FY18). This report includes a synopsis of the current economic and fiscal conditions of the Commonwealth, as well as an outlook for the next three fiscal quarters.

The first quarter edition of the *Quarterly Report* during odd-numbered calendar years always coincides with the KRS 48.120 (2) cycle of the Consensus Forecasting Group (CFG). This year State Budget Director John Chilton requested an official revision to the FY18 enacted revenue estimate pursuant to KRS 48.115 (2). Therefore, the estimates contained in the outlook section of this report are the new official General Fund estimates for FY18.

General Fund receipts in the first quarter of FY18 totaled $2,553.6 million compared to $2,482.4 million in the first quarter of FY17, an increase of $71.2 million or 2.9 percent. The new official General Fund revenue estimate for FY18 calls for revenue to grow 2.3 percent compared to FY17 actual receipts. General Fund revenues need to increase 2.1 percent for the remainder of the fiscal year to meet the official estimate. ***The newly revised official FY18 General Fund estimate adopted by the CFG is $155.6 million lower than the FY18 enacted estimate.***

Road Fund revenues fell 0.5 percent in the first quarter of FY18. Receipts totaled $382.6 million compared to the $384.6 million received in the first quarter of the last fiscal year. The official Road Fund revenue estimate calls for a 2.0 percent decrease in receipts for the entire FY18. Based on year-to-date collections, revenues can fall 2.5 percent for the remainder of the fiscal year to meet the estimate.

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

- Real U.S. GDP grew by 2.0 percent in the first quarter of FY18. Historically, this is still soft for an expansion period but has been improving over the last three quarters. US personal income grew by 2.9 percent in the first quarter. Dividends, interest and rent income was the fastest growing component, gaining 3.8 percent in the first quarter.

- Kentucky personal income grew by 3.0 percent in the first quarter of FY18. This solid growth has persisted for the last three quarters. Kentucky employment grew by only 1.5 percent in the first quarter. Weak growth like this has been typical during the last two expansion periods.

- Individual income tax receipts are expected to increase by 4.9 percent during the final three quarters of FY18. By way of comparison, the last seven years of annual growth in the individual income tax has been 8.3 percent in FY11, followed by growth of 2.8 percent, 6.0 percent, 0.7 percent, 8.5 percent, 5.2 percent, and 2.6 percent, respectively.

- Road Fund revenues declined 0.5 percent in the first quarter of the fiscal year and are projected to be flat over the remainder of FY18. Motor fuels tax receipts were marginally higher in the first three months of the fiscal year but are forecasted to decline over the remainder of the fiscal year. Conversely, motor vehicle usage tax receipts fell sharply in the first quarter but are expected to grow modestly over the final nine months of FY18. Motor vehicle operator licenses and "other" receipts posted solid growth in the first three months of the fiscal year. However, forecasted values for these accounts are expected to slow over the remainder of the fiscal year.

- As we enter the second quarter of FY18, the temporary impact and disruption inflicted by hurricanes Harvey, Irma, and Maria must be considered relative to the strong momentum the national economy was experiencing prior to the storms. The most recent revisions to real GDP showed the U.S. economy growing at a 3.1 percent annual rate in the final quarter of FY17, revised up 0.1 percent from the previous estimate and significantly above the 1.2 percent annual rate of the prior quarter.

- Over the next three quarters, Kentucky personal income is forecasted to increase by 4.3 percent, while Kentuckians wages and salaries are projected to maintain a robust pace of growth at an estimated 5.1 percent over the same period a year ago. Sustained growth patterns in personal income are certainly a bright spot for the Commonwealth's economic outlook.

Revenue Receipts . . . .

GENERAL FUND
First Quarter FY18

General Fund receipts in the first quarter of FY18 totaled $2,553.6 million compared to $2,482.4 million in the first quarter of FY17, for an increase of $71.2 million or 2.9 percent. Collections in the major revenue categories are shown in summary form in Table 1. Detailed information on these major accounts is available in the Appendix. The first quarter of FY18 revealed growth in seven major accounts and modest declines in two accounts.

Table 1
Summary General Fund Receipts
$ millions

	FY18 Q1	FY17 Q1	Diff $	Diff %
Individual Income	1,123.3	1,090.3	33.0	3.0
Sales and Use	903.0	895.5	7.4	0.8
Property	53.7	52.3	1.3	2.5
Corporation Income	153.6	136.5	17.2	12.6
Coal Severance	25.3	23.9	1.4	5.9
Cigarette Taxes	55.1	57.2	-2.1	-3.7
LLET	43.5	37.2	6.3	16.9
Lottery	55.0	58.1	-3.1	-5.4
Other	141.1	131.3	9.9	7.5
Total	**2,553.6**	**2,482.4**	**71.2**	**2.9**

The General Fund official estimate for FY18 calls for revenue to grow 2.3 percent compared to actual FY17 receipts. General Fund revenues need to increase 2.1 percent for the remainder of the fiscal year to meet the official estimate.

Individual income tax receipts increased 3.0 percent in the first quarter of FY18. Receipts of $1,123.3 million were $33.0 million more than was collected in the first quarter of the previous fiscal year. Withholding receipts were up 3.9 percent. On the other side, declaration payment receipts were down by 0.7 percent for the quarter.

The sales and use tax rose 0.8 percent in the first quarter of FY18. Receipts of $903.0 million compare to the $895.5 million collected in the first quarter of FY17. Positive growth in the first quarter was a welcome sign as the sales tax account had fallen in two of the previous three quarters.

Property taxes were up 2.5 percent in the first quarter of FY18 due to timing of collections in the tangible and public service company accounts. Collections of $53.7 million compare favorably to $52.3 million received in the first quarter of the prior fiscal year. The positive growth reflected in the first quarter marks the ninth consecutive quarter of growth in property tax collections following FY15, where property tax fell in three of the four fiscal quarters.

Corporation income tax posted an increase of 12.6 percent, or $17.2 million, during the first quarter of FY18. Receipts totaled $153.6 million compared to the $136.5 million received a year earlier.

The limited liability entity tax (LLET) registered a $6.3 million increase in tax collections in the first quarter of FY18 when compared to FY17. Total collections in the last fiscal quarter totaled $43.5 million and compare to revenues of $37.2 million in the same period a year earlier.

The coal severance tax receipts experienced growth in the first quarter as receipts increased 5.9 percent. Receipts of $25.3 million compare to $23.9 million collected in the first quarter of FY17. The positive growth reflected in the first quarter marks the third consecutive quarter of growth in coal tax collections following a long period of losses starting in FY13.

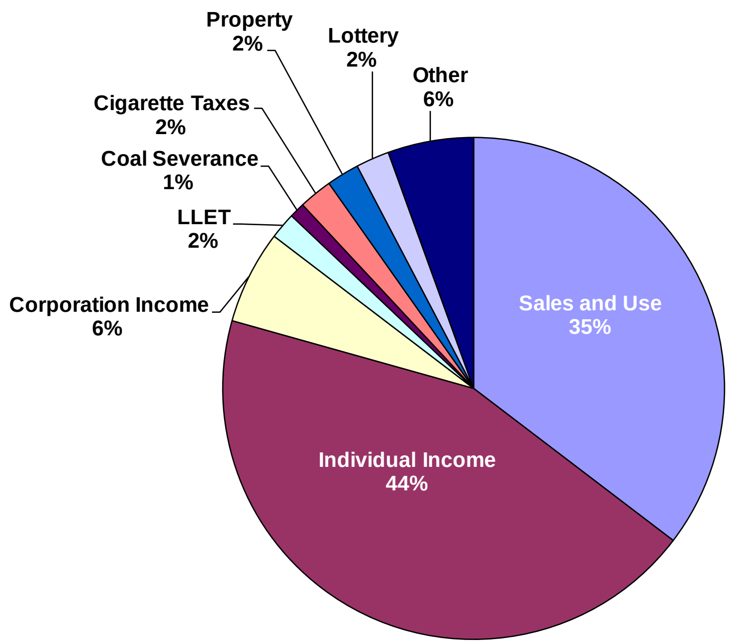
Cigarette taxes fell 3.7 percent in the first quarter with receipts of $55.1 million compare to $57.2 million in the first quarter of FY17. Cigarette tax receipts continued a pattern of quarterly fluctuations but the basic trend is toward fewer packs sold.

Lottery receipts decreased 5.4 percent, or $3.1 million, in the first quarter of FY18. Revenues of $55.0 million compared to $58.1 million collected in the first quarter of FY17.

The "Other" category represents the remaining accounts in the General Fund, and collections in this account increased 7.5 percent with receipts of $141.1 million compared to $131.3 million collected in the first quarter of FY17.

Figure 1 details the composition of first quarter General Fund receipts by tax type. Seventy-nine percent of General Fund revenues were collected in the areas of the individual income and sales taxes. The next largest sources of revenue were corporation income taxes and the "Other" accounted for six percent each. The largest components in the "Other" category include insurance premium taxes, beer wholesale tax, telecommunications taxes, public service commission assessments taxes and inheritance tax.

Figure 1
General Fund Receipts Composition
First Quarter, FY18



ROAD FUND
First Quarter FY18

Road Fund revenue fell 0.5 percent in the first quarter of FY18 as motor vehicle usage tax collections have continued a short-term weakness. Receipts totaled $382.6 million compared to the $384.6 million received in the first quarter of the last fiscal year. Summary data are contained in Table 2 and detailed data are shown in the Appendix.

Table 2
Summary Road Fund Receipts
$ millions

	FY18 Q1	FY17 Q1	Diff $	Diff %
Motor Fuels	198.8	198.5	0.3	0.1
Motor Vehicle Usage	126.9	132.7	-5.8	-4.4
Motor Vehicle License	21.0	18.8	2.2	11.8
Motor Vehicle Operators	4.3	4.2	0.1	3.2
Weight Distance	20.8	20.9	-0.1	-0.6
Income on Investments	0.9	0.1	0.8	529.0
Other	10.0	9.4	0.6	6.3
Total	**382.6**	**384.6**	**-1.9**	**-0.5**

Motor fuels tax receipts increased 0.1 percent during the first quarter of FY18. Receipts were $198.8 million and compare to $198.5 million collected during the first quarter of FY17. The positive growth observed in the first quarter marks the sixth consecutive quarter of growth for motor fuels tax collections.

Motor vehicle usage tax receipts of $126.9 million represent a decrease of 4.4 percent compared to the $132.7 million collected in the first quarter of FY17. Vehicle usage tax collections fluctuate with the level and value of the vehicle sale transactions that occur in the Kentucky economy.

Motor vehicle license tax receipts increased 11.8 percent during the first quarter of FY18. Receipts of $21.0 million compare to $18.8 million received during the first quarter of FY17.

Motor vehicle operators' license fees totaled $4.3 million, a 3.2 percent increase compared to the level observed a year ago.

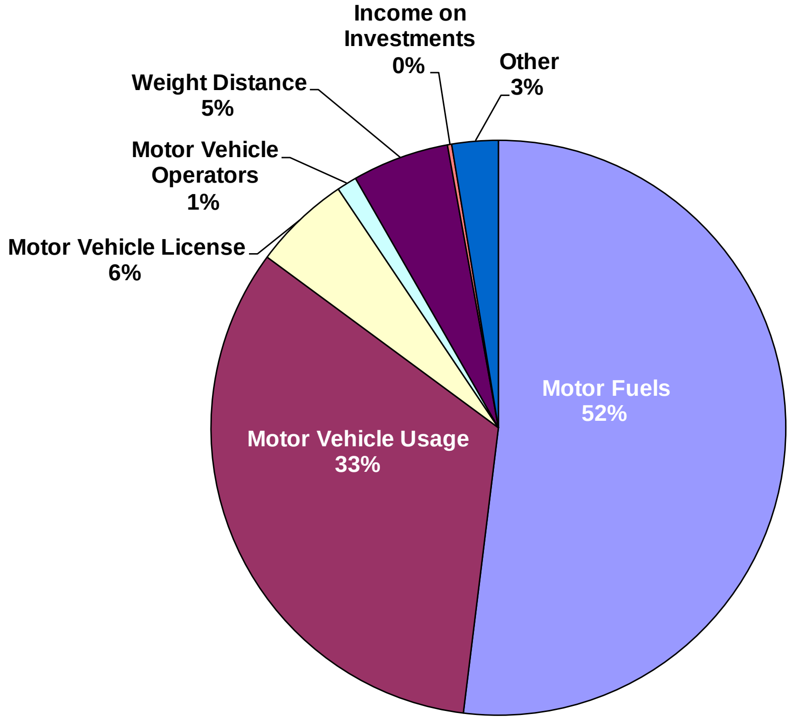
Weight distance tax receipts totaled $20.8 million, a decrease of 0.6 percent from the first quarter of last year. The weight distance tax has some significance as a leading indicator of economic activity, as it is a rough proxy for goods in transit over Kentucky highways.

Investment income receipts of $0.9 million compared to $0.1 million in the first quarter of FY17.

The remainder of the accounts in the Road Fund combined for an increase of 6.3 percent. Receipts for the "Other" category totaled $10.0 million during the first quarter, compared to $9.4 million in the first quarter of FY17.

Figure 2 details the composition of Road Fund revenues by tax type in the first quarter of FY18. Motor fuels taxes and the motor vehicle usage tax accounted for 85 percent of Road Fund revenues in the first quarter. The next-largest source of revenue was motor vehicle license tax for six percent followed by weight distance taxes with five percent. The "Other" category accounted for three percent and motor vehicle operators accounted for one percent. Income on investment accounted for a negligible amount of the total Road Fund receipts.

Figure 2
Road Fund Receipts Composition
First Quarter, FY18



The Economy
First Quarter FY18. . . . .

NATIONAL ECONOMY

Real gross domestic product (real GDP) grew by 2.0 percent in the first quarter of FY18 compared to last year. Quarterly growth in the last three quarters has improved, but it is still low in comparison to other expansion period growth. The average adjacent-quarter growth for the last three quarters is 0.5 percent. The average adjacent-quarter growth for the current expansion period as a whole has also been 0.5 percent. Average adjacent-quarter growth in the expansion period following the 1975 recession was 1.1 percent. Average growth following the 1980-1 dual recessions was 1.0 percent. Growth following the 1990 recession was 0.9 percent. The current growth is still an improvement over the average growth in FY16, where adjacent-quarter growth was 0.3 percent. Average growth in FY13 was also 0.3 percent. The current expansion period has been by far the slowest in the last 80 years. The low point of the current expansion occurred in FY13. In the fourth quarter of FY13, real GDP growth was 1.0 percent over fourth quarter FY12.

Real consumption grew by 2.7 percent in the first quarter of FY18. Real consumption has been relatively stable for the last six quarters, with growth rates of 2.8, 2.8, 2.8, 2.9, 2.7 and 2.7 percent respectively. Real consumption is by far the largest component of real GDP and makes up 69.7 percent of real GDP.

Real investment grew by 2.7 percent in the first quarter of FY18. Real investment is the most volatile of the components of real GDP. In general, it is also affected the most by recessions. The losses in real investment started well before the official beginning of the 2007 recession. The first decline in real investment occurred in the fourth quarter of FY06. On net, real investment declined by $969.1 billion, or 34.9 percent as a result of the 2007 recession. This is a major loss in capital. It took 20 quarters for real investment to return to its third quarter FY06 level. Real investment made up 17.1 percent of real GDP in the first quarter of FY18.

Real government expenditures declined by 0.2 percent in the first quarter of FY18. Government spending inched up $100 million from the fourth quarter of FY17 to the first quarter of FY18. That is an increase of 0.0019 percent. The previous two quarters, adjacent-quarter expenditures declined slightly, 0.2 percent and 0.1 percent respectively. Real government expenditures followed a mostly normal pattern for the first five years following the 2007 recession. Real government expenditures contracted from 2009 to the third quarter of FY14. This is normal, as more citizens regain employment, gain more work hours, and utilize less government assistance as the economy improves. However, in the fourth quarter of FY14, this 'normal pattern'

Table 3
Summary of US Economic Series
First Quarter FY18 & FY17

	First Quarter			
	FY18	**FY17**	**Chg**	**% Chg**
Real GDP	17,116.8	16,778.1	338.7	2.0
Real Consumption	11,929.0	11,618.1	310.9	2.7
Real Investment	2,924.0	2,847.2	76.8	2.7
Real Govt. Expenditures	2,894.4	2,899.9	-5.5	-0.2
Real Exports	2,204.8	2,145.3	59.5	2.8
Real Imports	2,806.2	2,702.6	103.6	3.8
CPI all goods (% chg)	1.9	1.1	NA	NA
CPI Food (% chg)	1.2	0.0	NA	NA
CPI Energy (% chg)	6.1	-7.7	NA	NA
CPI Core (% chg)	1.6	2.2	NA	NA
Industrial Production Index (% chg)	2.0	-1.2	NA	NA
Working Population[1]	0.0	253.9	-253.9	-100.0
Civilian Labor Force[2]	0.0	160.0	-160.0	-100.0
Employed[3]	0.0	152.1	-152.1	-100.0
Unemployed[4]	0.0	8.0	-8.0	-100.0
Not in Labor Force[5]	0.0	93.8	-93.8	-100.0
Labor Force Participation Rate[6] (%)	0.0	62.8	NA	NA
Unemployment Rate (%)	4.3	4.9	NA	NA

Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.
Components do not sum to GDP because they are annualized independently.
Data for FY18 Q1 are September 2017 estimates.
Source: IHS Global Insight Inc., September 11, 2017 data release.

[1] Working population is the group of persons who are 16 years or older, non-institutionalized, not in prison, not in an old-age home and not engaged in active military duty. It is meant to capture those persons who are capable of working and could work if suitable employment were found. Working population figures are listed in millions.
[2] Civilian Labor Force is a subset of the working population who are currently employed or are actively looking for employment.
[3] Employed is a subset of the civilian labor force who are employed regardless of industry or profession. This is therefore different than non-farm employment, which explicitly does not include those persons employed in the agricultural sector.
[4] Unemployed is a subset of the civilian labor force who are not currently employed but are actively seeking employment.
[5] Not in Labor Force is a subset of the working population who have decided not to be employed nor seek employment.
[6] Labor Force Participation Rate is computed as the Civilian Labor Force divided by the Working Population.

Table 4
US Federal Outlays
$ billions, AR

	First Quarter			
	FY18	**FY17**	**Chg**	**% Chg**
Federal Outlays excl. Gross Investment	4,250.1	4,165.3	84.8	2.0
Social Security	931.1	899.7	31.4	3.5
Medicare	675.7	658.2	17.5	2.7
National Defense	590.9	589.3	1.6	0.3
Interest on Debt	498.8	471.1	27.7	5.9
Medicaid	371.8	381.6	-9.9	-2.6
Non-Medicaid Grants to S&L Govts	188.0	184.0	4.0	2.2
Subsidies	59.2	62.5	-3.3	-5.3
Aid to Foreign Governments	53.1	53.9	-0.8	-1.5

Not Seasonally Adjusted. Data for FY18 Q1 are September 2017 estimates.
Source: IHS Global Insight Inc., September 11, 2017 data release.

of countercyclical behavior for real government expenditures ended. From the third quarter of FY14 to the second quarter of FY17, real government expenditures began a period of slow growth. Real government expenditures rose a net $74 billion, or 2.6 percent over that period of time. This period of time was marked by an increase in federal government transfer payments to states and individuals. This is particularly unusual during an expansion period. The expansion of Medicaid was the largest-growing expenditure category, rising 25.7 percent (nominal dollars) during this time. Medicaid spending was followed by Medicare spending, which grew by 11.1 percent during the same time period. Interest on the Debt of the next fastest growing expenditure account, which grew by 10.6 percent during that time. These three accounts made up approximately two-thirds of total outlay growth during that time period. Real government expenditures made up 16.9 percent of real GDP in the first quarter of FY18.

Real exports grew by 2.8 percent in the first quarter of FY18. The last three quarters growth has picked up. That is an improvement over the period of losses and weakness from the two calendar years of 2015 and 2016. Adjacent-quarter growth declined in five of the eight quarters during that time. Real imports grew by 3.8 percent in the first quarter of FY18. The majority of that growth occurred in the second and third quarters of FY17. Adjacent-quarter growth in the last four quarters was 2.0, 1.1, 0.4, and 0.4 percent respectively. Real exports made up 12.9 percent of real GDP in the first quarter of FY18. Real imports made up 16.4 percent of real GDP in the first quarter of FY18.[1] The trade deficit (also called net exports) improved slightly to $601.4 billion in the first quarter of FY18. The trade deficit reached its lowest point in the second quarter of FY17 when it was $631.1 billion.

US personal income grew by 2.9 percent in the first quarter of FY18. US personal income has softened in the last seven quarters compared to the previous seven quarters. Average growth during the last seven quarters was 2.6 percent, while the average growth during the previous seven quarters was 5.3 percent. Wages and salaries growth was responsible for much of that growth seven quarters ago.

Dividends, interest, and rents income was the fastest growing income component in the first quarter of FY18, growing 3.8 percent and made up nearly a quarter of the gains in total personal income. Dividends, interest, and rents income makes up 19.4 percent of personal income and is the second largest component of personal income.

Wages and salaries income grew by 2.6 percent in the first quarter of FY18. Wages and salaries contributed the largest amount to total personal income in an absolute sense, growing $215 billion in the first quarter. Wages and salaries income made up 50.9 percent of personal income in the first quarter and is the largest component of personal income.

[1] Real imports are a deduction from real GDP.

The industrial production index has improved modestly during the last three quarters, gaining 0.6, 2.1, and 2.0 percent, respectively. This is a solid turn-around compared to the previous period. The index declined in every quarter of the previous seven quarters, losing 2.8 percent of its value during that time.

Inflation (CPI of all goods) was 1.9 percent in the first quarter of FY18. Energy goods were responsible for much of that growth; inflation in energy components was 6.1 percent in the first quarter of FY18. Inflation in the last four quarters is an acceleration of growth over the previous two years, where inflation ranged from -0.1 percent to 1.2 percent.

The labor force grew by 0.8 percent in the first quarter of FY18. This is slightly above average for labor force growth during this expansion. Employment has grown in nine of the last 10 quarters. The quarterly growth was not particularly high, but this is unusual because is it rare for employment to go a year without a quarterly decline. The number of unemployed has been volatile during the last eight quarters. On an adjacent-quarter basis, the number of unemployed rose and fell, then rose and fell, for eight consecutive quarters. The high during that time was 8.2 million unemployed and the low was 6.8 million, which occurred last quarter. The high point for unemployed following the 2007 recession was 15.9 million, which occurred in the third quarter of FY10.

US non-farm employment rose by 1.4 percent in the first quarter of FY18. Non-farm employment has been modest but steady for the last seven quarters. Mining employment was the fastest growing sector, growing 8.3 percent in the first quarter. Business services employment grew by the most in absolute terms, gaining 0.6 million jobs in the first quarter of FY18. Information services employment lost jobs in the first quarter, falling 2.4 percent.

KENTUCKY ECONOMY

Kentucky personal income grew by 3.0 percent in the first quarter of FY18. Personal income growth has been solid for the last three quarters, gaining 1.2, 0.8, and 1.0 percent on an adjacent-quarter basis. Supplements to wages and salaries (sometimes known as fringe benefits) was the fastest growing component of personal income in the first quarter of FY18, growing 4.9 percent. Supplements to wages and salaries income has grown above average for the last six quarters. Supplements to wages and salaries income includes employer payments to private pension or profit-sharing plans, private employee pension and profit-sharing funds, government employee retirement plans, private group health and life insurance plans, and privately administered worker's compensation plans.

Kentucky wages and salaries was the fastest growing component of income on an absolute basis, gaining $3.5 billion, or 3.9 percent. This is the third consecutive quarter of solid growth for Kentucky wages and salaries income. Wages and salaries has grown 1.9, 1.0, and 1.2 percent on an adjacent-quarter basis during the last three quarters, respectively. This is a significant turn-around from calendar 2016, where wages and salaries income declined in two of the four calendar quarters.

Kentucky non-farm employment rose by a modest 1.5 percent in the first quarter of FY18. Employment growth during the last two expansion periods has been substantially lower than the growth which occurred in prior expansion periods. Average adjacent-quarter growth during the current expansion period is 0.4 percent. Average adjacent-quarter growth following the 2001 recession was 0.2 percent. Average adjacent-quarter growth following the 1990 recession was 0.6 percent.

Construction employment was the fastest growing employment sector in Kentucky in the first quarter of FY18, growing 6.0 percent, or a gain of 4,600 jobs. Information services employment grew by a notable amount, growing 5.9 percent in the first quarter. That is a gain of 1,400 jobs. Business services employment grew by the most on an absolute basis, gaining 9,500 jobs. Government employment shrank by 0.3 percent in the first quarter, a reduction of 1,100 jobs. Government employment includes all federal, state, and local government employment that is located within the state's boundaries. Mining employment also shrank in the first quarter. It shrank by 2.9 percent, a reduction of 300 jobs.

Table 5
Personal Income
$ billions, SAAR

	Q1			
	FY18	**FY17**	**$ Diff**	**% Diff**
United States				
Personal Income	16,486	16,028	458	2.9
Social Insurance	1,309	1,258	50	4.0
Residence Adjustments	0.0	-0.1	0.1	-102.5
Dividends, Interest and Rents	3,198	3,081	116	3.8
Transfer Receipts	2,854	2,777	77	2.8
Wages & Salaries	8,394	8,178	215	2.6
Supplements to W&S	1,964	1,903	61	3.2
Proprietor's Income	1,385	1,346	39	2.9
Kentucky				
Personal Income	182.2	176.9	5.3	3.0
Social Insurance	15.2	14.6	0.7	4.5
Residence Adjustments	-2.2	-2.2	0.0	-0.8
Dividends, Interest and Rents	27.4	26.7	0.7	2.5
Transfer Receipts	43.5	43.0	0.5	1.2
Wages & Salaries	93.5	90.0	3.5	3.9
Supplements to W&S	23.9	22.8	1.1	4.9
Proprietor's Income	11.4	11.2	0.2	1.6

Table 6
Summary of US & KY Employment
First Quarter FY18 & FY17

	US Q1 (millions)			KY Q1 (thousands)		
	FY18	**FY17**	**% Chg**	**FY18**	**FY17**	**% Chg**
Non-farm Employment	146.7	144.7	1.4	1,948.0	1,919.1	1.5
Goods-producing	20.1	19.7	1.9	345.6	337.0	2.6
Construction	6.9	6.7	3.0	81.3	76.6	6.0
Mining	0.7	0.7	8.3	9.7	10.0	-2.9
Manufacturing	12.5	12.3	1.0	254.7	250.3	1.7
Service-providing	104.3	102.7	1.6	1,284.7	1,263.4	1.7
Trade, Transportation & Utilities	27.4	27.3	0.4	402.0	399.6	0.6
Information	2.7	2.8	-2.4	24.4	23.0	5.9
Finance	8.5	8.3	1.8	95.8	93.3	2.6
Business Services	20.8	20.2	2.8	226.8	217.3	4.4
Educational Services	23.2	22.7	2.2	272.1	270.1	0.7
Leisure and Hospitality Services	16.0	15.7	2.2	196.6	194.6	1.0
Other Services	5.8	5.7	1.5	67.0	65.4	2.5
Government	22.3	22.3	0.1	317.7	318.8	-0.3

Not Seasonally Adjusted. Data for FY18 Q1 are September 2017 estimates.
Source: IHS Global Insight Inc., September 11, 2017 data release.

Interim Outlook . . . .

GENERAL FUND

The revenue outlook for this report differs from a normal quarterly outlook in two important ways. First, the Consensus Forecasting Group met on October 13, 2017 to consider an official revision to the enacted revenue estimates for FY18 and to develop preliminary revenue estimates for FY19 and FY20.

The State Budget Director sent letters dated September 29, 2017 and October 11, 2017 requesting a revision to the FY18 official revenue estimates. The CFG agenda was modified by request of the State Budget Director to include an official revision to the FY18 General Fund. The revenue estimates adopted by the CFG during the October 2017 meeting are listed below. The FY18 estimate corresponds to the normal forecasting horizon of a typical first quarter report, so the official CFG numbers represent the staff estimates for this KRS 48.400 (2) report.

Fiscal Year	General Fund	Road Fund	Tobacco Fund
2018	$10,718,800,000	$1,506,100,000	$109,300,000
2019	$11,011,100,000	$1,515,200,000	$119,500,000
2020	$11,306,300,000	$1,520,400,000	$118,100,000

The FY18 General Fund official revised estimate of $10,718.8 million, adopted by the CFG, is $155.6 million lower than the previous enacted estimate from December 2015. Annual growth of 2.3 percent for FY18 is required to hit the revised target. Given the first quarter growth of 2.9 percent, growth of 2.1 percent is needed for the remainder of FY18 to reach the new estimate, as shown below.

Table 7
General Fund Interim Forecast
$ millions

	FY18						FY18	
	Q1		Q2, Q3, & Q4		Full Year		Official CFG	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff
Individual Income	1,123.3	3.0	3,464.6	4.9	4,587.9	4.4	4,587.9	0.0
Sales & Use	903.0	0.8	2,625.7	1.4	3,528.7	1.2	3,528.7	0.0
Property	53.7	2.5	554.2	0.8	607.9	1.0	607.9	0.0
Corporation Income	153.6	12.6	407.2	12.8	560.8	12.7	560.8	0.0
Coal Severance	25.3	5.9	67.1	-12.4	92.4	-8.0	92.4	0.0
Cigarettes	55.1	-3.7	162.1	-1.2	217.3	-1.9	217.3	0.0
LLET	43.5	16.9	143.4	-31.2	186.9	-23.9	186.9	0.0
Lottery	55.0	-5.4	188.0	2.5	243.0	0.6	243.0	0.0
Other	141.1	7.5	552.8	-1.1	693.9	0.6	693.9	0.0
General Fund	**2,553.6**	**2.9**	**8,165.2**	**2.1**	**10,718.8**	**2.3**	**10,718.8**	**0.0**

The second major difference is that the General Fund estimates are based on the pessimistic forecast (See Table 7). A control, pessimistic, and optimistic MAK model was generated using the control, pessimistic, and optimistic Global Insight variables. The MAK model generates several important Kentucky series; perhaps most important of which is the Kentucky wages and salaries component of personal income which is used in several revenue forecasting models.

The OSBD staff prepared all three scenarios for consideration by the CFG. After a spirited and productive discussion, the CFG adopted the pessimistic forecast as the most likely outcome for the US and Kentucky economies for purposes of the General Fund revenue models.

It should be clearly noted that while the pessimistic forecast was used to derive the General Fund estimates, the economic data forecast tables (Tables 9 and 10) display the control forecast as usual. The remainder of this outlook section also reverts to the normal style of discussing the three quarter outlook as prescribed in KRS 48.400 (2).

Individual income tax receipts are expected to increase by 4.9 percent during the final three quarters of FY18 to end the year with 4.4 percent annual growth. By way of comparison, the last seven years of annual growth in the individual income tax have been 8.3 percent in FY11, followed by growth of 2.8 percent, 6.0 percent, 0.7 percent, 8.5 percent, 5.2 percent, and 2.6 percent, respectively. The largest component of individual income tax receipts is withholding, which makes up approximately 95 percent of total individual income tax receipts. Withholding is also closely tied to wages and salaries and employment in the state.

Growth in sales and use tax receipts slipped to 0.7 percent in FY17 following three years of solid progress: 3.6 percent in FY14 followed by 4.4 percent in FY15 and 6.0 percent in FY16. The first quarter of FY18 eked out a 0.8 percent gain and growth of 1.4 percent is expected over the three quarter forecasting horizon. Aside from the three-year run leading into FY17, sales tax growth has been sporadic during this recovery period with three declines in each year FY09, FY10, and FY13 surrounded by years of modest to good growth. The underlying economic fundamentals that produced 6.0 percent growth in FY16 were quite similar to the economic conditions in FY17 where growth dipped to 0.7 percent. One year ago, we reported that sales tax growth of 6.0 percent was unsustainable due to the rate of consumption outpacing income growth. However, 0.7 percent in FY17 was well below income growth so it is likely that the "truth" lies somewhere in the middle.

Property tax revenues are expected to increase by 0.8 percent over the forecasting horizon. The state rate on real property has remained at 12.2 cents per $100 in valuation for property assessed as of January 1, 2017. Many areas of the state continue to linger from the effects of the housing recession, so the state rate has remained at 12.2 cents since valuation year 2008, an unprecedented run of 10 consecutive years without a rate decline. The relatively weak growth expected in the property tax accounts is primarily attributable the public service account as well as the omitted and delinquent account. Both of these categories experienced double-digit increases in FY17 that are expect to revert back to more tradition levels of collection.

The corporation income tax and the LLET were both strong performers in FY15 but tapered off in FY16. Corporation income taxes had grown by double digits in four of the previous five years prior to FY16. In FY17, the LLET grew 21.0 percent but the income tax fell 5.5 percent for a combined net increase of 1.8 percent. For FY18, corporate income tax receipts are expected to grow 12.7 percent but the LLET is projected to decline by 23.9 percent. Large fluctuations in the corporate accounts are not atypical given the volatile nature of the tax base.

Coal severance receipts declined 16.7 percent, or $20.2 million in FY17. Receipts fell short of the official estimate in FY17 and are expected to decline further in FY18. Coal severance receipts have fallen from $298.3 million in FY12 to $100.5 million in FY17. The energy market continues to be quite volatile and the outlook for coal will continue to be depressed due to new regulatory requirements. Nevertheless, coal severance receipts grew 5.9 percent in the first quarter of FY18 over a very low base in the first quarter of FY17. The interim estimate is for a 12.4 percent decline over the forecasting horizon which, coupled with the first quarter growth, will generate a FY18 decline of 8.0 percent.

Cigarette tax receipts declined 1.3 percent in FY17 following growth in FY16. The first quarter of FY18 resulted in a 3.7 percent decline. The final three quarters of FY18 are expected to also decline, albeit at a lower rate of 1.2 percent. Kentucky sales have been buoyed somewhat by rate increases in Illinois, Ohio, and most recently West Virginia. A downward trend in smoking rates is still expected, but the tax increases in neighboring states is expected to have a small positive revenue impact for cigarette purchases in Kentucky. Notwithstanding the minor border impact, the consumption of cigarettes has steadily been trending downward over the last decade.

Lottery dividends exceeded the FY17 estimate by $5.6 million, largely due to strength in the Keno game and solid growth in the instant ticket marketplace. The dividend schedule for FY18 has now been released; marginal improvement is expected over the $241.6 million received in FY17. Collections from dividend payments are expected to total $243.0 million for FY18.

The "Other" category contains dozens of smaller accounts that make up the remainder of the General Fund. Insurance premiums tax, bank franchise and telecommunications tax are the three largest accounts in the "Other" category. The "Other" category of taxes is expected to fall 1.1 percent during the forecasting horizon, after posting growth of 7.5 percent in the first quarter. For FY18 in total, the rise in the first quarter coupled with the slightly negative three quarter outlook computes to a 0.6 percent improvement over FY17.

ROAD FUND

Road Fund revenues declined 0.5 percent in the first quarter of FY18, after increasing in four of the past five quarters. Going forward, revenues are projected to be flat over the remainder of the fiscal year as shown in Table 8. Motor fuels taxes were marginally higher in the first three months of the year but are forecasted to decline slightly over the remainder of the year. Motor vehicle usage tax receipts, conversely, fell sharply in the first quarter but are expected to grow modestly over the final nine months of FY18. Motor vehicle operators and "Other" receipts posted solid growth in the first three months of the fiscal year. However, forecasted values for these accounts are expected to slow from their current rates over the remainder of the year.

Table 8
Road Fund Interim Forecast
$ millions

	FY18						FY18	
	Q1		Q2, Q3, & Q4		Full Year		Official CFG	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff
Motor Fuels	198.8	0.1	560.1	-0.3	758.9	-0.2	749.8	9.1
Motor Vehicle Usage	126.9	-4.4	367.7	0.2	494.6	-1.0	485.7	8.9
Motor Vehicle License	21.0	11.8	92.4	-0.8	113.4	1.3	105.6	7.8
Motor Vehicle Operators	4.3	3.2	12.0	0.4	16.3	1.1	16.3	0.0
Weight Distance	20.8	-0.6	63.4	2.3	84.2	1.6	83.8	0.4
Income on Investments	0.9	529.0	2.8	94.2	3.7	134.0	1.5	2.2
Other	10.0	6.3	25.0	-2.8	35.0	-0.4	35.5	-0.5
Road Fund	**382.6**	**-0.5**	**1,123.5**	**0.0**	**1,506.1**	**-0.1**	**1,478.2**	**27.9**

Motor fuels tax receipts are forecasted to fall 0.3 percent for the remainder of the fiscal year. Legislation has had a significant impact on motor fuels revenue. HB 299, enacted in the 2015 Regular Session of the General Assembly, made changes to the motor fuels tax rate as well as the rate setting procedure. Most significant for revenue estimating purposes was the raising of the tax floor as well as a change from a quarterly to an annual tax rate. Low oil prices have prevented the tax rate from increasing above the floor which means that any change to motor fuels revenue must come from a change in consumption.

Motor vehicle usage tax collections are anticipated to grow 0.2 percent over the final nine months of FY18, after decreasing 4.4 percent in the first quarter.

To estimate the growth of all other components of the Road Fund, officials of the Kentucky Transportation Cabinet and staff of the Governor's Office for Economic Analysis assessed recent growth patterns as well as administrative and statutory factors to formulate the projections. Motor vehicle license taxes are forecasted to decrease 0.8 percent in the final three quarters of FY18. Motor vehicle operators' licenses are projected to grow 0.4 percent in the remainder of the fiscal year. Weight distance tax revenue is expected to grow 2.3 percent for the remainder of the fiscal year. All other revenues combined are projected to decline 2.8 percent during the last nine months of FY18.

NATIONAL ECONOMY

As we enter the second quarter of FY18, the temporary impact and disruption inflicted by hurricanes Harvey, Irma, and Maria must be considered relative to the strong momentum the national economy was experiencing prior to the storms. The most recent revisions to real GDP showed the economy growing at a 3.1 percent annual rate in the final quarter of FY17, revised up 0.1 percent from the previous estimate and significantly above the 1.2 percent annual rate of the prior quarter.

The extensive damage to property inflicted by the storms will eventually exceed $150 billion and impact the stock of wealth for a sizeable portion of Florida, Puerto Rico, and Texas residents. The lost economic activity and production caused by the storms will reduce the growth of real GDP in the first fiscal quarter of FY18 by approximately one percent. However, as we move forward, recovery is well underway, with production at Gulf Coast refineries and chemical plants almost fully restored.

The potential for economic data to be distorted by natural disasters will be demonstrated in the revised September and upcoming October Labor Department jobs reports. September's report was widely expected to be significantly impacted by the hurricanes, but the upcoming revisions to the September report and the anticipated October report could potentially reflect a return to the robust hiring levels observed in the previous fiscal quarters.

The Federal Reserve fully discounted the impact of the storms during their September 19-20 Federal Open Market Committee (FOMC), issuing a statement that "past experience suggests the storms are unlikely to materially alter the course of the national economy over the medium term." The FOMC noted that higher prices will impact gasoline and other items. However, core inflation as measured by the core Personal Consumption Expenditures (PCE) deflator has increased by only 1.3 percent in the last twelve months. The Federal Reserve has maintained their target for 2.0 percent core PCE growth, and the current expectations are for a continued moderate rate increase in the Federal Funds Rate of 25 basis points by the end of the calendar year and continued normalization of the Fed's balance sheet holdings.

For the last several quarters, there has been broad belief that there are reasonable expectations for tax reform, reduced regulatory burdens, and increased infrastructure spending with the current administration and a Republican-led Congress working together. However, there are growing concerns that political turmoil and legislative stalemates will hamper the ability of legislative initiatives to be passed to address key economic and policy issues. The current, underlying forecast reflects these concerns as the assumptions concerning a future influx on infrastructure spending have been delayed until FY19. The likelihood of significant changes in corporate and individual tax rates, and the associated stimulus of those policy changes, will likely be significantly reduced going forward.

Table 9
US Economic Outlook
Quarters 2, 3, & 4

	Q2, Q3, & Q4			Full Year	
	FY18	**FY17**	**% Chg**	**FY18**	**% Chg**
Real GDP	17,367.8	16,928.2	2.6	17,305.0	2.5
Real Consumption	12,099.1	11,771.5	2.8	12,056.6	2.8
Real Investment	3,017.7	2,908.5	3.8	2,994.3	3.5
Real Govt. Expenditures	2,908.8	2,897.4	0.4	2,905.2	0.2
Real Exports	2,244.7	2,156.3	4.1	2,234.7	3.8
Real Imports	2,872.8	2,778.5	3.4	2,856.1	3.5
CPI all goods (% chg)	1.5	2.1	NA	1.6	NA
CPI Food (% chg)	2.0	0.2	NA	1.8	NA
CPI Energy (% chg)	-1.7	6.7	NA	0.2	NA
CPI Core (% chg)	1.7	2.0	NA	1.7	NA
Industrial Production Index (% chg)	2.7	0.8	NA	2.5	NA
Unemployment Rate (%)	4.2	4.6	NA	4.2	NA

Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.
Components do not sum to GDP because they are annualized independently.
Source: IHS Global Insight Inc., September 11, 2017 data release.

KENTUCKY ECONOMY

The Commonwealth entered the first quarter of FY18 on a positive note, continuing its recent run of employment gains. Personal incomes of Kentuckians grew 3.0 percent during the first quarter of FY18, slightly outperforming the national increase of 2.9 percent. Kentuckian's wages and salaries showed yet more contrast between the national averages with growth of 3.9 percent in the first quarter versus 2.6 percent for the US, respectively. Over the next three quarters, Kentucky personal income is forecasted to increase by 4.3 percent, while Kentuckians wages and salaries' are projected to maintain a robust pace of growth at an estimated 5.1 percent over the same horizon. Sustained growth patterns in personal income is certainly a bright spot for the Commonwealth's economic outlook.

As a result, the continued pattern of employment gain should sustain the rate of revenue collected for the General Fund providing a certain degree of benefit to Kentucky's economy. Thus far, the General Fund has grown at a rate of 2.9 percent for the first quarter of FY18. In spite of favorable conditions derived from forward-looking indicators, OSBD will continue to err on the side of caution due to uncertain economic conditions on the national level and the implications that could occur on the state level.

Kentucky employment is projected to grow in 10 of the 11 supersector groups over the course of the next three quarters, providing plausible growth assumptions for income and employment prospects. Of all the sectors, service-providing employment as a whole is on target to have the greatest employment gain, specifically within the business services employment, which is projected to grow at a relatively brisk pace of 3.4 percent for the full year of FY18. In addition, the service sector information employment is anticipated to grow at a swife rate of 3.2 percent over the same period. It is not uncommon for employment in one service supersector to replace lost employment in another service supersector as industries realign themselves based on market demands. However, the current forecast does not indicate such a displacement as key service supersectors are expected to rise uniformly. Following the trend of preceding quarters, construction continues to be a bright spot in the Kentucky employment outlook. The full year of FY18 projects steady growth of 4.2 percent in construction employment.

Despite the recent turnaround in coal severance tax collections from negative to positive growth, the mining industry remains a persistent weak spot in Kentucky's economy. Coal severance year-to-date tax collections are up 5.9 percent for the first quarter of FY18, however overall tax collections declined for the fifth consecutive year reaching an all-time low of $100.5 million in FY17. On a year-to-year basis, Eastern and Western Kentucky coalmine employment continues to decrease at a steady pace. An additional sector of employment that continues to project weak growth for the remainder of FY18 is the government sector, flat to slightly negative growth of 0.01 percent is projected for the full year of FY18. Stagnate growth seen within the government sector comes as no surprise with the ongoing uncertainty of the State's budget as well as anticipated changes on the Federal and State level.

Table 10
Kentucky Economic Outlook
Quarters 2, 3, & 4

	Q2, Q3, & Q4			Full Year	
	FY18	**FY17**	**% Chg**	**FY18**	**% Chg**
Personal Income ($ millions)	186,299.6	178,685.3	4.3	185,271.1	3.9
Wages and Salaries ($ millions)	95,788.6	91,172.7	5.1	95,215.2	4.8
Non-farm Employment (thousands)	1,957.8	1,933.8	1.2	1,955.4	1.3
Goods-producing	347.3	340.5	2.0	346.9	2.1
Construction	82.0	79.2	3.6	81.8	4.2
Mining	9.0	9.9	-9.3	9.2	-7.7
Manufacturing	256.3	251.4	1.9	255.9	1.9
Service-providing	1,292.6	1,275.4	1.3	1,290.6	1.4
Trade, Transportation & Utilities	402.2	401.2	0.2	402.1	0.3
Information	24.3	23.7	2.4	24.3	3.2
Finance	96.3	95.2	1.1	96.2	1.5
Business Services	230.7	223.9	3.1	229.8	3.4
Educational Services	273.7	271.4	0.9	273.3	0.8
Leisure and Hospitality Services	198.4	193.7	2.4	198.0	2.1
Other Services	66.9	66.3	0.9	66.9	1.3
Government	317.9	317.9	0.0	317.9	-0.1

Not Seasonally Adjusted.
Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis MAK model, September 2017.

APPENDIX

General and Road Fund Receipts
First Quarter FY18

KENTUCKY STATE GOVERNMENT – GENERAL FUND

	First Quarter FY 2018	First Quarter FY 2017	% Change
TOTAL GENERAL FUND	**$2,553,562,721**	**$2,482,372,191**	**2.9%**
Tax Receipts	**$2,480,757,948**	**$2,410,951,877**	**2.9%**
Sales and Gross Receipts	**$1,055,029,875**	**$1,048,818,108**	**0.6%**
Beer Consumption	1,779,571	1,725,849	3.1%
Beer Wholesale	17,104,433	16,663,784	2.6%
Cigarette	55,107,667	57,242,279	-3.7%
Distilled Spirits Case Sales	38,149	35,998	6.0%
Distilled Spirits Consumption	3,542,671	3,388,958	4.5%
Distilled Spirits Wholesale	10,822,379	10,057,280	7.6%
Insurance Premium	35,967,495	37,051,246	-2.9%
Pari-Mutuel	1,229,876	1,109,502	10.8%
Race Track Admission	99,059	80,349	23.3%
Sales and Use	902,963,933	895,514,677	0.8%
Wine Consumption	744,884	743,155	0.2%
Wine Wholesale	4,070,336	4,129,937	-1.4%
Telecommunications Tax	15,775,132	15,603,077	1.1%
Other Tobacco Products	5,785,274	5,471,974	5.7%
Floor Stock Tax	(982)	43	---
License and Privilege	**($366,514)**	**($1,147,471)**	**---**
Alc. Bev. License Suspension	133,850	136,650	-2.0%
Corporation License	10,897	(22,646)	---
Corporation Organization	12,375	5,945	108.2%
Occupational Licenses	36,866	41,957	-12.1%
Race Track License	100,075	95,000	5.3%
Bank Franchise Tax	(844,729)	(1,589,026)	---
Driver License Fees	184,153	184,648	-0.3%
Natural Resources	**$33,689,669**	**$30,436,526**	**10.7%**
Coal Severance	25,287,648	23,884,809	5.9%
Oil Production	1,148,457	1,243,610	-7.7%
Minerals Severance	5,537,595	4,485,334	23.5%
Natural Gas Severance	1,715,968	822,772	108.6%
Income	**$1,320,407,472**	**$1,263,965,074**	**4.5%**
Corporation	153,636,467	136,478,444	12.6%
Individual	1,123,303,844	1,090,295,534	3.0%
Limited Liability Entity	43,467,161	37,191,097	16.9%
Property	**$53,652,955**	**$52,348,575**	**2.5%**
Building & Loan Association	10,684	16,633	-35.8%
General - Real	(722,930)	41,168	---
General - Tangible	32,707,411	31,028,971	5.4%
Omitted & Delinquent	4,802,857	3,736,085	28.6%
Public Service	16,848,628	17,525,787	-3.9%
Other	6,304	(68)	---
Inheritance Tax	**$12,654,997**	**$10,559,472**	**19.8%**
Miscellaneous	**$5,689,495**	**$5,971,593**	**-4.7%**
Legal Process	3,181,960	3,382,142	-5.9%
T. V. A. In Lieu Payments	2,490,216	2,545,668	-2.2%
Other	17,319	43,784	-60.4%
Nontax Receipts	**$72,756,394**	**$70,081,294**	**3.8%**
Departmental Fees	3,294,134	3,019,735	9.1%
PSC Assessment Fee	15,812,583	12,925,985	22.3%
Fines & Forfeitures	4,423,027	4,925,999	-10.2%
Income on Investments	(1,136,549)	(69,550)	---
Lottery	55,000,000	58,127,129	-5.4%
Miscellaneous	(4,636,802)	(8,848,004)	---
Redeposit of State Funds	**$48,379**	**$1,339,020**	**-96.4%**

KENTUCKY STATE GOVERNMENT – ROAD FUND REVENUE

	First Quarter FY 2018	First Quarter FY 2017	% Change
TOTAL ROAD FUND	**$382,626,355**	**$384,569,848**	**-0.5%**
Tax Receipts-	**$377,668,339**	**$379,624,985**	**-0.5%**
Sales and Gross Receipts	**$325,673,733**	**$331,198,235**	**-1.7%**
Motor Fuels Taxes	198,766,262	198,496,156	0.1%
Motor Vehicle Usage	126,907,471	132,702,079	-4.4%
License and Privilege	**$51,994,606**	**$48,426,750**	**7.4%**
Motor Vehicles	20,959,918	18,755,870	11.8%
Motor Vehicle Operators	4,304,703	4,169,319	3.2%
Weight Distance	20,818,053	20,935,699	-0.6%
Truck Decal Fees	16,593	1,907	770.3%
Other Special Fees	5,895,339	4,563,955	29.2%
Nontax Receipts	**$4,679,216**	**$4,733,153**	**-1.1%**
Departmental Fees	3,510,180	3,815,138	-8.0%
In Lieu of Traffic Fines	87,850	91,255	-3.7%
Income on Investments	911,660	144,948	529.0%
Miscellaneous	169,526	681,812	-75.1%
Redeposit of State Funds	**$278,800**	**$211,710**	**31.7%**