Commonwealth of Kentucky

Quarterly Economic & Revenue Report

First Quarter Fiscal Year

2020

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

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Matthew G. Bevin
Governor

John E. Chilton
State Budget Director

October 30, 2019

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 2020 (FY20). It also includes an unofficial interim economic and revenue forecast for the final three quarters of FY20.

The revenue forecasts presented in the "Outlook" section of this report were prepared in conjunction with the Consensus Forecasting Group (CFG) preliminary estimate process described in KRS 48.120 (2). Underpinning the revenue forecast, the CFG directed the Office of State Budget Director (OSBD) to use a combination of the September 2019 "control scenario" economic forecast and the "pessimistic scenario" from both the IHS Markit model and the Kentucky MAK model operated by OSBD. The weighting chosen by the CFG was 70 percent of the control forecast and 30 percent of the pessimistic scenario.

The FY20 estimates highlight the final three fiscal quarters of the FY20. General Fund growth is projected to be 0.8 percent for the final three quarters of FY20. When coupled with first quarter growth of 1.1 percent, FY20 is expected to close at $11,488.7 million – a total that is $26.7 million above the official budget estimate of $11,462.0 million. Total Road Fund revenues are expected to end the year $52.7 million above the official estimate. New official estimates for FY20 – FY22 will be rendered by the CFG in December 2019. Those estimates will provide the base for the FY20 – FY22 budgets that will be considered in January when the General Assembly convenes its annual session.

All major General Fund revenue accounts are expected to equal or exceed the official revenue estimates for FY20 with the exception of two income-based accounts, the individual and corporation income taxes. The combined corporation income and LLET account is projected to fall short of the FY20 estimate by $157.1 million, primarily due to the uncertainties of tax reform and a lower national corporate profit environment.

Kentucky personal income grew by a solid 5.1 percent in the first quarter of FY20 compared to the first quarter of FY19. This is the highest growth for Kentucky personal income since 2015. Kentucky wages and salaries grew by 5.0 percent in the first quarter. The momentum in personal income growth is projected to continue through the end of the fourth quarter of FY20. Kentuckians' personal income is poised to grow 4.8 percent over the forecast horizon. In fact, personal income growth is expected to outpace the national personal income growth projections by 0.1 percentage points. Holding pace with personal income, the wages and salaries component of personal income is expected to grow 4.4 percent in the final three quarters of FY20 compared to the same period in the prior year.

We will continue to monitor the Kentucky and national economies and provide you with updates when appropriate. OSBD will also keep you updated on the progress of the CFG as we prepare for the upcoming biennial budget.

Cordially,

John E Chilton

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 this *Quarterly Economic and Revenue Report* for the first quarter of FY20. 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 revenue forecasts presented in the "Outlook" section of this report were prepared in conjunction with the Consensus Forecasting Group (CFG) preliminary estimate process described in KRS 48.120(2). Underpinning the revenue forecast, the CFG directed OSBD to use a combination of the September 2019 "control scenario" and the "pessimistic scenario" from both IHS Markit and the Kentucky MAK models. The weighting chosen by the CFG was 70 percent of the control forecast and 30 percent of the pessimistic scenario.

General Fund growth is projected to be 0.8 percent for the final three quarters of FY20. When coupled with first quarter growth of 1.1 percent, FY20 is expected to close at $11,488.7 million – a total that is $26.7 million above the official budget estimate of $11,462.0 million that the CFG rendered in 2017 with adjustments for changes in tax policies. Total Road Fund revenues for FY20 are preliminarily forecasted to exceed the official forecast by $52.7 million.

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

- General Fund receipts in the first quarter of FY20 totaled $2,697.3 million compared to $2,667.4 million in the first quarter of FY19, for an increase of $29.9 million or 1.1 percent. The current official General Fund revenue estimate for FY20 calls for revenue to grow 0.6 percent compared to FY19 actual receipts. General Fund revenues need to increase 0.5 percent for the remainder of the fiscal year to meet the official estimate.

- Road Fund revenue also grew 1.1 percent in the first quarter of FY20. Receipts totaled $401.7 million compared to the $397.3 million received in the first quarter of the last fiscal year. The current official Road Fund revenue estimate calls for a 3.6 percent decrease in receipts for the entire FY20. Based on year-to-date collections, revenues can fall 5.2 percent for the remainder of the fiscal year to meet the estimate.

- Real US GDP grew by 2.1 percent in the first quarter of FY20. Real GDP growth was spearheaded by real consumption growth of 2.7 percent during the first quarter. Medicare expenditures was the fastest growing expenditure account, growing 10.1 percent in the first quarter. Real US personal income continued its strong growth and grew by a robust 4.7 percent in the first quarter. US non-farm employment grew by 1.5 percent. Educational services employment was the fastest growing employment sector, gaining 2.6 percent in the first quarter of FY20.

- Kentucky personal income grew by a solid 5.1 percent in the first quarter of FY20 compared to the first quarter of FY19. This is the highest growth for Kentucky personal income since 2015. Kentucky wages and salaries grew by 5.0 percent in the first quarter. Transfer income was the fastest growing component of personal income in the first quarter, growing 7.1 percent. Kentucky non-farm employment rose by 1.0 percent in the first quarter, continuing its long-term modest but consistent growth. Mining employment was the fastest growing employment sector, which grew by 6.6 percent during the first quarter of FY20.

- According to key economic indicators, the US economy continues to stand on relatively firm ground as we enter the second quarter of FY20. The national outlook over the next three fiscal quarters includes GDP growth converging to a long-run trend of two percent. The forecast expects a slowing of real GDP growth in the second, third, and fourth quarters of FY20. The notable slowdown is partially due to the lagged effects of the newly announced tariffs on China's exports to the US.

- Looking ahead, state-level employment gains should slightly lag the national average for the remaining quarters of the fiscal year. While a subtle uptick in non-farm employment is expected, lethargic Kentucky employment growth persists well into the outlook period. Total non-farm employment is anticipated to gain 14,500 seasonally-adjusted jobs for the remainder of FY20, a 0.7 percent increase. The 0.7 percent average growth forecasted over the second, third and fourth quarters indicates a slight slowdown from the 0.9 percent growth average over the same periods one year prior.

- All major revenue accounts are expected to equal or exceed the official revenue estimates for FY20 with the exception of two income-based accounts, the individual and corporation income taxes. The combined corporation income and LLET account is projected to fall short of the FY20 estimate by $157.1 million, primarily due to the uncertainties of tax reform and a lower corporate profit environment.

- Road Fund revenue growth slowed in the first quarter of FY20 and the outlook for the remainder of the year is for that trend to continue. Collections in the first three months of the current fiscal year rose 1.1 percent compared to 3.6 percent for all of FY19. Motor vehicle usage tax collections defied expectations and grew at a robust 5.9 percent in Q1. The strength of the usage tax overcame a lackluster performance of the remaining accounts which combined for a decline of 1.3 percent. Looking ahead, total Road Fund revenues for the remainder of FY20 are expected to decline 0.7 percent but still end the year $52.7 million above the official estimate.

REVENUE RECEIPTS

GENERAL FUND
First Quarter FY20

General Fund receipts in the first quarter of FY20 totaled $2,697.3 million compared to $2,667.4 million in the first quarter of FY19, for an increase of $29.9 million or 1.1 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 FY20 revealed growth in only three of the major accounts: sales and use, individual income and the Kentucky Lottery.

Table 1
Summary General Fund Receipts
$ millions

	FY20 Q1	FY19 Q1	Diff $	Diff %
Individual Income	1,134.0	1,115.9	18.0	1.6
Sales & Use	1,053.3	977.3	75.9	7.8
Corp. Inc. & LLET	174.3	194.8	-20.5	-10.5
Property	43.8	48.6	-4.7	-9.8
Lottery	58.5	56.5	2.0	3.5
Cigarettes	90.9	111.9	-21.0	-18.8
Coal Severance	17.6	20.0	-2.4	-11.9
Other	125.1	142.4	-17.3	-12.2
Total	**2,697.3**	**2,667.4**	**29.9**	**1.1**

The current official General Fund revenue estimate for FY20 calls for revenue to grow 0.6 percent compared to FY19 actual receipts. General Fund revenues need to increase 0.3 percent for the remainder of the fiscal year to meet the official estimate.

Individual income tax receipts increased 1.6 percent in the first quarter of FY20. Receipts of $1,134.0 million were $18.0 million more than was collected in the first quarter of the previous fiscal year. Declarations and withholding receipts were up by 1.5 and 2.1 percent, respectively.

The sales and use tax grew 7.8 percent in the first quarter of FY20. Receipts of $1,053.3 million compare to the $977.3 million collected in the first quarter of FY19. HB 354 from the 2019 Regular Session buoyed sales tax collections, where the sales tax was imposed on Marketplace Providers.

Property taxes were down 9.8 percent in the first quarter of FY20 due to timing of collections in the tangible and public service company accounts. Collections of $43.8 million compare to $48.6 million received in the first quarter of the prior fiscal year. The first quarter is typically the lowest quarter of collections each fiscal year, contributing less than 10 percent of the annual total for the property tax accounts.

The corporation income tax posted a decrease of 7.9 percent, or $11.6 million, during the first quarter of FY20. Receipts totaled $134.2 million compared to the $145.8 million received a year earlier. The limited liability entity tax (LLET) registered a $9.0 million decrease in tax collections in the first quarter of FY20 when compared to FY19. Total collections in the current fiscal year totaled $40.0 million and compare to revenues of $49.0 million in the same period a year earlier.

The coal severance tax declined in the first quarter, with receipts down 11.9 percent. Collections of $17.6 million compare to the FY19 first quarter total of $20.0 million. Coal tax collections dropped following growth in the last two fiscal quarters of FY19. The growth in those two quarters was solely due to four monthly installment payments made by taxpayers between February 2019 and May 2019 for tax liabilities from prior tax years. This growth was not due to real economic growth in the coal industry.

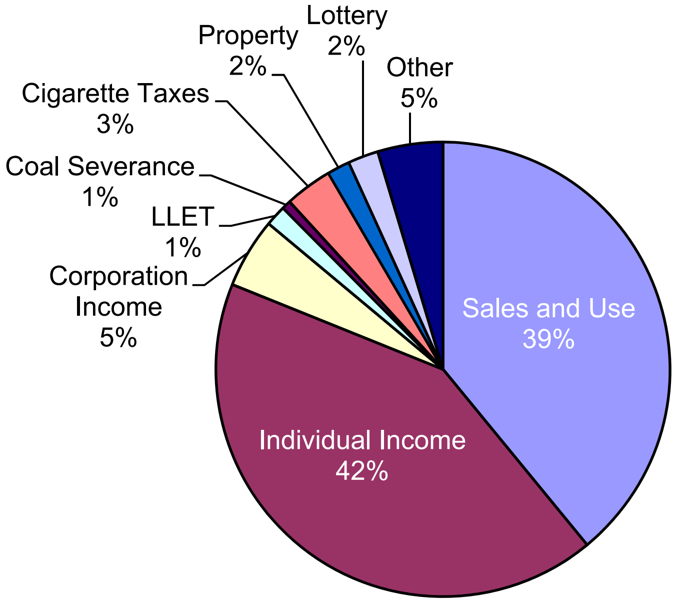
Cigarette taxes were down 18.8 percent in the first quarter with receipts of $90.9 million compared to $111.9 million in the first quarter of FY19. The cigarette excise and surtax were both up in the first quarter. The decline in cigarette taxes only manifested due to the floor stocks tax, which fell from $21.2 million in the first quarter of FY19 to only $25,000 in the first quarter of FY20. A floor stocks tax was applied when the rate of taxation rose from $0.60 per pack to $1.10 per pack on July 1, 2018.

Lottery receipts increased 3.5 percent, or $2.0 million, in the first quarter of FY20 with revenues of $58.5 million compared to $56.5 million collected in the first quarter of FY19.

The “Other” category represents the remaining accounts in the General Fund, and collections in this account decreased 12.2 percent with receipts of $125.1 million compared to $142.4 million collected in the first quarter of FY19.

Figure 1 details the composition of first quarter General Fund receipts by tax type. Eighty-one percent of General Fund revenues were collected in the areas of the individual income and sales and use taxes. The next largest sources of revenue were corporation income taxes and the “Other” category which accounted for five percent each. The largest components in the “Other” category in the first quarter include insurance premium taxes, bank franchise tax, public service commission assessments taxes, beer wholesale tax, and telecommunications taxes. The cigarette taxes accounted for three percent. Lottery receipts and property accounted for two percent each. Finally, LLET and coal severance taxes accounted for approximately one percent each.

Figure 1
Composition of First Quarter FY20
General Fund Revenues



ROAD FUND
First Quarter FY20

Road Fund revenue also grew 1.1 percent in the first quarter of FY20. Receipts totaled $401.7 million compared to the $397.3 million received in the first quarter of the last fiscal year. The current official Road Fund revenue estimate calls for a 3.6 percent decrease in receipts for the entire FY20. Based on year-to-date collections, revenues can fall 5.2 percent for the remainder of the fiscal year to meet the estimate. Summary data are contained in Table 2 and detailed data are shown in the Appendix.

Table 2
Summary Road Fund Receipts
$ millions

	FY20 Q1	FY19 Q1	Diff $	Diff %
Motor Fuels	202.8	201.2	1.6	0.8
Motor Vehicle Usage	140.9	133.1	7.8	5.9
Motor Vehicle License	20.6	23.7	-3.1	-13.2
Motor Vehicle Operators	4.2	4.3	-0.1	-2.2
Weight Distance	21.5	21.2	0.3	1.3
Income on Investments	1.5	1.9	-0.4	-21.6
Other	10.1	11.8	-1.7	-14.4
Total	**401.7**	**397.3**	**4.4**	**1.1**

Motor fuels tax receipts increased 0.8 percent during the first quarter of FY20. Receipts were $202.8 million and compare to $201.2 million collected during the first quarter of FY19. Since the tax rate on motor fuels was unchanged, all of the gains in collections are attributable to an increase in total gallons purchased.

Motor vehicle usage tax receipts of $140.9 represent an increase of 5.9 percent compared to the $133.1 million collected in the first quarter of FY19. Motor vehicle usage tax collections fluctuate with the aggregate value of vehicle sale transactions that occur in Kentucky economy.

Motor vehicle license tax receipts decreased 13.2 percent during the first quarter of FY20. Receipts of $20.6 million compare to $23.7 million received during the first quarter of FY19.

Motor vehicle operators' license fees totaled $4.2 million, a 2.2 percent decrease compared to the level observed a year ago.

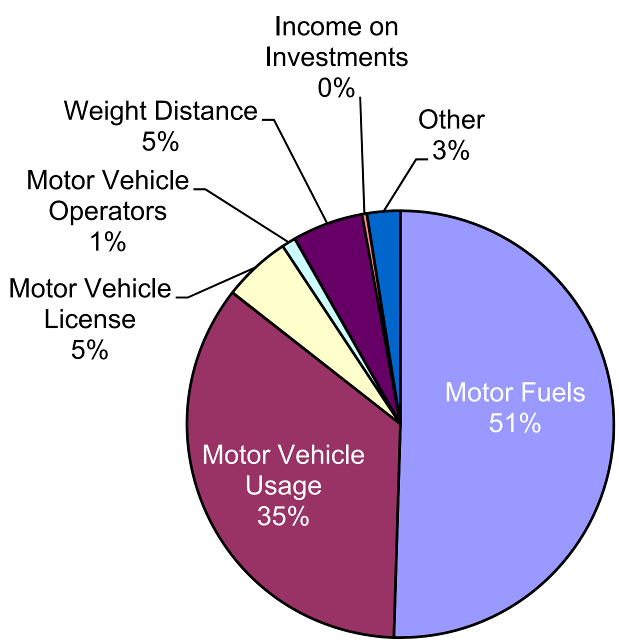
Weight distance tax receipts totaled $21.5 million, an increase of 1.3 percent from the first quarter of last year. The weight distance tax has some significance as a leading indicator of economic activity, as it is a rough proxy for goods in transit over Kentucky highways.

Income on investments receipts of $1.5 million in FY20 compare to $1.9 in the first quarter of FY19.

The remainder of the accounts in the Road Fund combined for a decrease of 14.4 percent. Receipts for the "Other" category totaled $10.1 million during the first quarter, compared to $11.8 million in the first quarter of FY19.

Figure 2 details the composition of Road Fund revenues by tax type in the first quarter of FY20. Motor fuels taxes and the motor vehicle usage tax accounted for 86 percent of Road Fund revenues in the first quarter. The next-largest source of revenue were motor vehicle license tax and weight distance taxes each accounted for 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
Composition of First Quarter FY20
Road Fund Revenues



THE ECONOMY
FIRST QUARTER FY20

NATIONAL ECONOMY

Real Gross Domestic Product (real GDP) rose by 2.1 percent in the first quarter of FY20. On an adjacent-quarter basis, real GDP grew 0.5 percent compared to the fourth quarter of FY19. Adjacent-quarter growth has been 0.5 percent or better in nine of the last 10 quarters. The average adjacent-quarter growth during that time was 0.6 percent. Average adjacent-quarter growth during the previous 10 quarters was 0.5 percent. So growth on average has expanded over the last 10 quarters. Real consumption was primarily responsible for the growth that occurred in the first quarter of FY20. Real consumption grew by 2.7 percent in the first quarter of FY20. Adjacent-quarter real consumption growth was 0.9 percent in the first quarter of FY20. Average adjacent-quarter growth for the last 10 quarters is 0.7 percent.

Real investment grew by 0.5 percent in the first quarter of FY20. However, on an adjacent-quarter basis, real investment fell in the first quarter by 0.2 percent. This is the third time in the last six quarters that real investment has fallen. The increases have been larger than the decreases in each quarter. As a result, real investment has risen over time despite the three recent declines. Average adjacent-quarter growth over the last 10 quarters is 0.9 percent. Real investment has grown by a net 9.0 percent over the last 10 quarters. Nonetheless, historically, this is low growth for real investment during an expansion period. Real investment made up 17.9 percent of real GDP in the first quarter of FY20. Real investment is historically the most volatile of the five real GDP components.

Real government expenditures rose by 1.8 percent in the first quarter of FY20. On an adjacent-quarter basis, real government expenditures were nearly flat, growing 0.037 percent over the fourth quarter of FY19. Real government expenditures have risen in seven of the last eight quarters, thus adding to real GDP growth. While this contributes to real GDP, it also takes money out of the private sector and spends it in the public sector.

Real government expenditures have followed an unusual path following the end of the 2007 recession. It is common for real government expenditures to rise during recessions, as welfare program usage and unemployment payments increase. Real government expenditures continued to increase for two additional quarters after the recession officially ended. Then in the third quarter of FY10, real government expenditures began to contract. This too, is normal during an expansion period. Real government expenditures contracted during 16 of the next 17 quarters. Then in the fourth quarter of FY14, real government expenditures began to rise again. This is highly unusual during an expansion period. Real government expenditures have risen in 17 of the last 22 quarters. Those five declines were small and the increases were modest in size. Between the fourth quarter of FY14 and the first quarter of FY20, real government expenditures have grown a net 9.1 percent.

Table 3
Summary of US Economic Series
First Quarter FY20 & FY19

	First Quarter			
	FY20	**FY19**	**Chg**	**% Chg**
Real GDP	19,121.0	18,732.7	388.2	2.1
Real Consumption	13,372.1	13,019.8	352.3	2.7
Real Investment	3,421.7	3,404.2	17.5	0.5
Real Govt. Expenditures	3,295.0	3,238.0	57.1	1.8
Real Exports	2,518.5	2,519.3	-0.8	0.0
Real Imports	3,518.7	3,481.8	37.0	1.1
CPI all goods (% chg)	1.8	2.6	NA	NA
CPI Food (% chg)	2.1	1.4	NA	NA
CPI Energy (% chg)	-3.5	9.1	NA	NA
CPI Core (% chg)	2.3	2.2	NA	NA
Industrial Production Index (% chg)	-0.2	4.9	NA	NA
Working Population[1]	259.4	258.1	1.4	0.5
Civilian Labor Force[2]	164.3	162.5	1.8	1.1
Employed[3]	158.2	156.2	2.0	1.3
Unemployed[4]	6.1	6.3	-0.2	-3.4
Not in Labor Force[5]	95.1	95.5	-0.4	-0.4
Labor Force Participation Rate[6] (%)	63.1	62.8	NA	NA
Unemployment Rate (%)	3.6	3.8	NA	NA

Federal outlays grew by 6.8 percent in the first quarter of FY20. Federal outlays growth has remained high for several quarters. Federal outlays growth has been above 5.7 percent for the last six consecutive quarters.

Medicare was the fastest growing account in both percentage terms and in absolute terms. It grew by 10.1 percent, or $74.3 billion compared to the first quarter of FY19. Medicare expenditures made up 16.8 percent of total federal outlays in the first quarter of FY20.

Medicaid grew by 9.9 percent in the first quarter. Medicaid was the second-fastest growing account in percentage terms. Medicaid expenditures made up 9.0 percent of total federal outlays in the first quarter.

Interest on the debt was the third-fastest growing account in both percentage terms and absolute terms. Interest on the debt grew by 8.8 percent, or $48.6 billion in the first quarter of FY20. Interest on the debt is the fastest growing outlay account in the last 10 quarters. Interest on the debt grew by $118.2 billion over that time, a net 24.6 percent increase. This is especially concerning now, as interest rates are near historical all-time lows. Should interest rates increase, this growth could really soar. Interest on the debt made up 12.4 percent of total federal outlays in the first quarter.

Table 4
US Federal Outlays
$ billions, AR

	First Quarter			
	FY20	**FY19**	**Chg**	**% Chg**
Federal Outlays excl. Gross Investment	4,836.3	4,526.8	309.5	6.8
Social Security	1,037.9	976.0	61.9	6.3
Medicare	811.0	736.7	74.3	10.1
National Defense	683.1	644.9	38.3	5.9
Interest on Debt	598.1	549.5	48.6	8.8
Medicaid	433.0	394.2	38.8	9.9
Non-Medicaid Grants to S&L Govts	193.9	191.5	2.4	1.3
Subsidies	59.4	57.8	1.5	2.6
Aid to Foreign Governments	55.0	56.2	-1.2	-2.2

Real US exports declined by 0.03 percent in the first quarter of FY20. On an adjacent-quarter basis, real exports rose by 0.1 percent. Real export growth has been weak for four of the last five quarters; declining in two of the five quarters. Real exports made up 13.2 percent of real GDP in the first quarter of FY20. Real imports increased by 1.1 percent in the first quarter of FY20. On an adjacent-quarter basis, real imports grew by 0.6 percent in the first quarter of FY20. Real imports made up 18.4 percent of real GDP in the first quarter of FY20.

Net exports, or total exports less total imports, surpassed one trillion dollars for the first time ever in the first quarter. Net exports were -$1,000.2 billion. Interpretation of this figure is not straightforward. As exports and imports are annual rate series, net exports is also an annual rate series. Therefore, one trillion dollars is the difference in exports and imports should the current quarter growth rates (for both exports and imports) be annualized for the entire year.

Real personal income grew by 4.7 percent in the first quarter of FY20. Adjacent-quarter growth was 1.0 percent in the first quarter of FY20. Adjacent-quarter growth has been at 1.0 percent or higher in 10 of the last 12 quarters. Transfer receipts were the fastest growing component of personal income, growing 7.3 percent in the first quarter of FY20. Transfer receipts were the second-fastest growing account on an absolute basis, gaining $217 billion compared to the first quarter of FY19. Wages and salaries income was the second-fastest growing income account, growing 5.4 percent in the first quarter. Wages and salaries income was the fastest growing income component in absolute terms, growing $480 billion over the first quarter of

FY19. Wages and salaries is the largest income component, making up 50.2 percent of personal income in the first quarter of FY20.

US non-farm employment grew by 1.5 percent in the first quarter of FY20. Adjacent-quarter growth was 0.3 percent in the first quarter. Adjacent-quarter growth has fallen slightly in recent quarters. In the fourth quarter of FY18 non-farm employment adjacent-quarter growth was 0.5 percent. Growth of 0.5 percent is strong growth, while 0.3 percent growth is the average growth for the current expansion period.

Educational services employment was the fastest-growing supersector in the first quarter of FY20, growing 2.6 percent. The second-fastest growing supersector was construction employment, which grew 2.4 percent in the first quarter. Educational services employment growth has been accelerating in the last several years. Average adjacent-quarter growth immediately following the 2007 recession was 0.4 percent. Average adjacent-quarter growth since the first quarter of FY15 is 0.5 percent. Adjacent-quarter growth in the first quarter of FY20 was 0.7 percent and has been for three consecutive quarters.

Ten of the 11 supersectors improved in the first quarter. Information services employment was the only supersector which lost jobs, falling 0.2 percent. Information services employment has been the most stable and static since the 2007 recession ended. Information services employment has held between 2.7 and 2.8 million jobs during all that time. Average adjacent-quarter growth since the end of the recession is 0.008 percent.

Table 5
Personal Income
$ billions, SAAR

	Q1			
	FY20	**FY19**	**$ Diff**	**% Diff**
United States				
Personal Income	18,778	17,929	850	4.7
Social Insurance	1,437	1,362	75	5.5
Residence Adjustments	0	0	0	-153.0
Dividends, Interest and Rents	3,801	3,723	78	2.1
Transfer Receipts	3,201	2,984	217	7.3
Wages & Salaries	9,422	8,942	480	5.4
Supplements to W&S	2,138	2,052	86	4.2
Proprietor's Income	1,653	1,590	63	4.0
Kentucky				
Personal Income	197	187	10	5.1
Social Insurance	16	15	1	5.9
Residence Adjustments	-2	-2	0	0.6
Dividends, Interest and Rents	32	31	1	2.8
Transfer Receipts	49	46	3	7.1
Wages & Salaries	97	93	5	5.0
Supplements to W&S	24	23	1	4.8
Proprietor's Income	13	12	1	5.5

KENTUCKY ECONOMY

Kentucky personal income rose by 5.1 percent in the first quarter of FY20 compared to the first quarter of FY19. This is the first time that Kentucky personal income growth has been that high since FY15. The fastest-growing component of personal income is transfer receipts, which grew by 7.1 percent. While the share of transfer income has been growing for some time, the high rates of quarterly growth is a recent phenomenon. Average adjacent-quarter growth for the last five years has been 1.0 percent. Adjacent-quarter growth for the last three quarters has been 2.9, 2.3, and 1.4 percent, respectively.

The shares for Kentucky wages and salaries income and supplements to wages and salaries has fallen since the end of the 2007 recession. The share of wages and salaries to personal income at the end of the recession was 50.4 percent. In the first quarter of FY20, the share was 49.5 percent. The share of supplements to wages and salaries to personal income at the end of the recession was 12.9 percent. In the first quarter of FY20, the share was 12.2 percent. Conversely, the share of proprietor's income to personal income rose from 5.9 percent to 6.6 percent, a 0.7 percent share gain. The share of dividends, interest, and rents rose from 15.6 percent to 16.1 percent during that same time. The share of transfer payments to personal income rose from 24.6 percent at the end of the recession to 25.0 percent in the first quarter of FY20. The share for social insurance (which is a deduction from personal income) remained constant at 8.2 percent.

Kentucky non-farm employment rose by 1.0 percent in the first quarter of FY20. Kentucky employment growth has been modest even after the end of the 2007 recession. But it has been especially weak during the last 12 quarters, when average adjacent-quarter growth has fallen to 0.2 percent. Average growth since the end of the recession has been 0.3 percent. This is historically very low employment growth during an expansion period.

Extremely low unemployment numbers may be part of the explanation for why employment growth is low during a period where other production measures are high. There are many reasons why employment growth may be slow; some factors are low product demand, low population growth, or being near full employment. If everyone who is looking for a job has a job, then it is irrelevant if product demand goes up. Employment cannot rise above maximum employment and we appear to be as close to that point as we have ever been historically-speaking. The current unemployment rate in Kentucky is 4.3 percent (August 2019, FRED). The lowest rate ever recorded in Kentucky was 3.5 percent, which occurred in November of 2018 (November 2018, FRED).

Mining employment was the fastest-growing supersector in Kentucky in the first quarter of FY20, growing 6.6 percent, or 600 non-seasonally-adjusted jobs. Mining employment has fallen significantly since the end of the 2007 recession. Mining employment was 22,800 in the first quarter of FY10. Mining employment in the first quarter of FY20 was 10,800. However, its position has improved since the recent trough of 9,600, which occurred in the third quarter of FY18.

Ten of the 11 supersectors improved in the first quarter of FY20. The sole supersector which declined was information services employment, just like at the national level. Information services employment declined by 1.4 percent over the first quarter of FY19. Information services employment has been slowly and steadily declining since the end of the 2007 recession. Information services have declined on an adjacent-quarter basis in 29 of the last 41 quarters. At the end of the recession, information services employment was 25,300. Information services employment in the first quarter was 21,600, a net loss of 3,700 jobs, or a 14.6 percent decline.

Table 6
Summary of US & KY Employment
First Quarter FY20 & FY19

	US Q1 (millions)			KY Q1 (thousands)		
	FY20	FY19	% Chg	FY20	FY19	% Chg
Non-farm Employment	151.6	149.4	1.5	1,952.3	1,932.5	1.0
Goods-producing	21.1	20.8	1.5	344.6	339.4	1.5
Construction	7.5	7.3	2.4	79.8	78.2	2.1
Mining	0.8	0.7	1.4	10.8	10.2	6.6
Manufacturing	12.9	12.7	1.1	254.0	251.1	1.2
Service-providing	107.9	106.1	1.7	1,293.3	1,280.6	1.0
Trade, Transportation & Utilities	27.8	27.7	0.6	405.5	404.8	0.2
Information	2.8	2.8	-0.2	21.6	21.9	-1.4
Finance	8.7	8.6	1.2	94.0	93.2	0.8
Business Services	21.5	21.1	2.1	218.7	218.5	0.1
Educational Services	24.4	23.7	2.6	285.5	278.3	2.6
Leisure and Hospitality Services	16.7	16.4	2.1	201.9	198.5	1.7
Other Services	6.0	5.9	1.8	66.2	65.4	1.1
Government	22.6	22.5	0.4	314.4	312.6	0.6

INTERIM OUTLOOK

GENERAL FUND

The revenue forecasts presented in Table 7 and Table 8 were prepared in conjunction with the CFG preliminary estimate process described in KRS 48.120 (2). As inputs to the revenue models for each tax, the CFG directed OSBD to use a combination of the September 2019 "control scenario" economic forecast and the "pessimistic scenario" from both IHS Markit and the Kentucky MAK model. The weighting chosen by the CFG was 70 percent of the control forecast and 30 percent of the pessimistic scenario. The FY20 estimates presented below highlight the final three fiscal quarters of the year. Projected General Fund revenues are shown in Table 7. As the table indicates, General Fund growth is projected to be 0.8 percent for the final three quarters of FY20. When coupled with first quarter growth of 1.1 percent, FY20 is expected to close at $11,488.7 million – a total that is $26.7 million above the official budget estimate of $11,462.0 million.

While the Interim Outlook was prepared in conjunction with the October CFG process, the estimates presented in Tables 7 and 8 represent unofficial estimates prepared in accordance with KRS 48.400 (2). The estimates and growth rates presented in Table 7 incorporate normal economic activity plus the impacts associated with the tax bills adopted by the General Assembly in 2018 and 2019. In practice, it is very difficult to bifurcate the impacts of the economy versus the effects of the new tax law.

As Table 7 indicates, all major revenue accounts are expected to equal or exceed the official revenue estimates for FY20 with the exception of two income-based accounts, the individual and corporation income taxes. The combined corporation income and LLET account is projected to fall short of the FY20 estimate by $157.1 million, primarily due to the uncertainties of tax reform and a lower corporate profit environment.

Individual income tax receipts fell 1.3 percent in FY19, primarily due to the tax law changes of 2018 and 2019. Now that a full year of reduced withholding has been built into the data, total individual income tax collections are expected to increase by 2.2 percent during the entirety of FY20 following a first quarter increase of 1.6 percent. Growth of that magnitude is expected to yield FY20 collections of $4,646.5 million, a sum $14.7 million lower than the official estimate. The recent tax legislation mentioned above was taken into account in the individual income tax forecast. In total, the impact of the 2018 and 2019 legislation for FY20 was negative $132.0 million on the individual income tax.

Table 7
General Fund Interim Forecast
$ millions

	FY20						FY20	
	Q1		Q2, Q3, & Q4		Full Year		Official CFG	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff
Individual Income	1,134.0	1.6	3,512.5	2.4	4,646.5	2.2	4,661.2	-14.7
Sales & Use	1,053.3	7.8	3,105.2	4.9	4,158.5	5.6	4,056.0	102.5
Corp. Inc. & LLET	174.3	-10.5	436.2	-23.2	610.5	-20.0	767.6	-157.1
Property	43.8	-9.8	613.3	2.5	657.1	1.6	635.1	22.0
Lottery	58.5	3.5	212.5	2.4	271.0	2.7	256.0	15.0
Cigarettes	90.9	-18.8	254.7	-3.1	345.6	-7.8	312.0	33.6
Coal Severance	17.6	-11.9	48.7	-33.2	66.3	-28.6	65.1	1.2
Other	125.1	-12.2	608.1	-3.0	733.2	-4.7	709.0	24.2
General Fund	**2,697.3**	**1.1**	**8,791.4**	**0.8**	**11,488.7**	**0.8**	**11,462.0**	**26.7**

Sales and use tax receipts surged ahead by 9.2 percent in FY19 following 3.5 percent growth in FY18. The high rate of growth in FY19 was attributable to the base broadening measures in the 2018 tax bill. HB 487 extended the sales and use tax to installation and maintenance of tangible property, as well as to certain services such as landscaping, small animal veterinary services, and extended warranty services. The full-year impact of the expansion of the sales tax was $208.2 million in FY19.

FY20 began with solid first-quarter growth of 7.8 percent in the sales and use tax. Growth in the first quarter was aided in part by the Marketplace Provider language that was enacted in the 2019 Regular Session. Beginning July 1, 2019, online sales platforms are required to collect and remit Kentucky sales and use tax on transactions they facilitate for sales into the Commonwealth from third party sellers. Collection requirements apply based upon on the same economic standard as remote retailers ($100,000 in gross receipts – or – 200 or more separate transactions from sales into KY annually).

For the final three quarters of FY20, sales tax growth is expected to be 4.9 percent, making annual growth 5.6 percent. The resulting fiscal year sum for the sales tax is projected to be $4,158.5 million, which is $102.5 million greater than the official estimate for FY20. The adjusted legislative impact in the sales tax account totals $304.3 million for FY20. A portion of that annual impact has already occurred in the first quarter of FY20.

Property tax revenues are expected to increase by 2.5 percent over the forecasting horizon, yielding annual growth of 1.6 percent following a first quarter setback of 9.8 percent. The state rate on real property will remain at 12.2 cents per $100 in valuation for property assessed as of January 1, 2019. 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 12 consecutive years without a rate decline. The relatively weak growth expected in the property tax is primarily attributable the public service account as well as the omitted and delinquent accounts. Both of these categories fared above average in FY19 and are expected to revert to more historical patterns in FY20. Property taxes were not materially affected by the most recent tax reform, so no additions or subtractions were indicated for these accounts. If realized, the FY20 estimate for property taxes is $22.0 million greater than the official estimate.

The corporation income tax and the LLET are now estimated in aggregate due to the inability to separate the receipts in a meaningful manner. Business taxes were also affected by recent tax law changes. The progressive rate structure was replaced with a flat rate of 5.0 percent, which represents a tax cut for most businesses. Rate cuts were coupled with some base broadening and an update to the IRC effective January 1, 2018 – partially mitigating the negative fiscal impact of the rate reduction. Due in part to the estimated tax law effect in FY20 of -$75.5 million and the general volatility of this revenue source, the combined amount of corporation taxes is expected to decline 20.0 percent in FY20. While business profits remain positive, the outlook calls for more muted profit growth than was reported in earlier estimates of the corporation taxes. As a result, the combined corporation income tax and LLET are expected to generate $157.1 million less in collections than the official FY20 estimate.

Coal severance receipts rose 3.6 percent in FY19 and managed to exceed the official estimate by $15.0 million. Growth in FY19 was due to extra payments from taxpayers on tax liabilities from prior tax years. The FY19 receipts growth was not due to real economic growth in the coal industry. Collections in FY20, however, are expected to revert to the declining pattern observed since FY12. Coal severance receipts have fallen from an all-time high of $298.3 million in FY12 to $92.9 million in FY19. This interim estimate calls for a further decline in coal severance tax receipts of 28.6 percent in FY20, including a first quarter setback of 11.9 percent. Nominal coal receipts are projected to be $66.3 million for FY20. The coal severance tax was unaffected by the provisions of HB 487 so no exogenous changes were applied to the forecast.

Cigarette tax receipts in FY19 were profoundly impacted by the change in the rate of taxation. HB 487 raised the tax on each pack of cigarettes from 60 cents to $1.10, effective July 1, 2018. A floor stocks tax of 50 cents per pack was also added to inventories to prevent hoarding prior to the July 1 tax increase. The effect of the tax increase plus floor stocks tax produced combined growth of 76.9 percent in FY19. The first quarter of FY20 witnessed an 18.8 percent decline in combined revenue, primarily due to the loss of $21.2 million from the floor stocks tax which was collected in the first three months of FY19. No floor stocks tax receipts are expected in FY20. The downward trend in smoking, combined with the first quarter loss already incurred, make the FY20 estimate for cigarette taxes $345.6 million, a decline of 7.8 percent. Therefore, the revenue total of $374.7 million in FY19 is likely to be a high watermark for cigarette tax receipts going forward – absent any further changes to the rate of taxation.

Lottery dividends exceeded the FY19 estimate by $14.9 million, largely due to strength in the online games and solid growth in the instant ticket markets. While the dividend schedule for the remainder of FY20 has not yet been released, further improvement is expected vis-à-vis the official estimate of $256.0 million. Lottery collections are projected to be $271.0 million in FY20, $15.0 million higher than the official estimate.

The "Other" category contains dozens of smaller accounts, which make up the remainder of the General Fund. Insurance premiums tax, bank franchise tax, abandoned property, and the beer wholesale taxes are usually the four largest annual accounts in the "Other" category. The "Other" category of taxes is expected to fall 4.7 percent during FY20, but collections are still expected to exceed the official estimate by $24.2 million. Each account was re-examined after FY19 and the proper adjustments were made to calibrate the models.

ROAD FUND

Road Fund revenue growth slowed in the first quarter of FY20 compared to FY19 levels and the outlook for the remainder of the year is for that trend to continue. Collections in the first quarter of FY20 rose 1.1 percent compared to 3.8 percent for all of FY19. Motor vehicle usage tax collections defied expectations and grew at a robust 5.9 percent in the first three months of the year. The strength of the usage tax receipts overcame a lackluster performance of the remaining accounts which combined for a decline of 1.3 percent.

Going forward, total Road Fund collections are expected to decline for the remainder of FY20 as motor vehicle usage tax revenues slow from their Q1 pace. On a positive note, total revenues are projected to exceed the official forecast by $52.7 million as shown in Table 8. Motor fuels taxes grew 0.8 percent in the first three months of the year but growth is expected to mitigate to 0.5 percent over the remainder of the year. Motor vehicle usage tax receipts rose sharply in Q1, increasing 5.9 percent. Collections for the motor vehicle usage tax are expected to decline 0.2 percent over the final nine months as the automobile market softens. Four of the five of the remaining Road Fund accounts - motor vehicle operators, motor vehicle license, investment and "Other" receipts declined in the first three months of the fiscal year; the one exception was the weight distance tax which grew 1.3 percent. Taken together, the outlook for these accounts is for more of the same as revenues are forecasted to decline 4.6 percent for the remainder of the year.

Table 8
Road Fund Interim Forecast
$ millions

	FY20						FY20	
	Q1		Q2, Q3, & Q4		Full Year		Official CFG	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff
Motor Fuels	202.8	0.8	574.8	0.5	777.6	0.6	761.2	16.4
Motor Vehicle Usage	140.9	5.9	380.5	-0.2	521.5	1.3	492.6	28.9
Motor Vehicle License	20.6	-13.2	97.4	0.2	118.0	-2.4	116.3	1.7
Motor Vehicle Operators	4.2	-2.1	13.2	7.0	17.4	4.6	16.8	0.6
Weight Distance	21.5	1.3	62.7	0.4	84.2	0.6	83.2	1.0
Income on Investments	1.5	-21.6	2.2	-78.0	3.7	-69.0	3.3	0.4
Other	10.1	-14.4	30.0	-10.0	40.1	-11.1	36.4	3.8
Road Fund	**401.7**	**1.1**	**1,160.8**	**-0.7**	**1,562.5**	**-0.2**	**1,509.8**	**52.7**

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. For the remainder of the fiscal year, motor vehicle license taxes are forecasted to increase 0.2 percent, motor vehicle operators' licenses are projected to grow 7.0 percent, weight distance tax revenue is expected to increase marginally by 0.4 percent, and investment income is expected to decline 78.0 percent. All other revenues combined are projected to decline 10.0 percent.

NATIONAL OUTLOOK

According to key economic indicators, the US economy continues to stand on relatively firm ground as we enter the second quarter of FY20. The national outlook over the next three fiscal quarters includes GDP growth converging to 2.1 percent growth. The forecast expects a slowing of real GDP growth in the second, third, and fourth quarters of FY20. The notable slowdown is largely due to the lagged effects of the newly announced tariffs on China's exports to the US.

Effective October 1, an increase from 25 percent to 30 percent tariff rate on the imports from China that are currently subject to Section 301 tariffs. In addition, the US imposed a 15 percent tariff effective September 1 and December 1 on the majority of all remaining imports from China. The new policy includes tariffs on solar panels, metals, and a 30 percent tariff on 44 percent of the goods imported from China. Lastly, the new policy includes a 15 percent tariff on most of the remaining goods imported, of which implementation will occur in a two-phased approach.

Real investment is expected to decline 1.2 percent in the final three quarters of FY20 compared to the same periods in the prior fiscal year. Real investment has weakened amid the persistent trade disputes due to softening businesses investments. In contrast, the forecast for real consumption calls for growth of 3.0 percent over the next three fiscal quarters. The continued growth in consumer expenditures is a result of household income gains and consumer confidence. The forecast supports solid consumer spending for the remaining quarters of FY20, reinforced by modest increases in personal income and low interest rates.

However, the three-quarter forecast of the national economy contains risks that limit the upside potential of the economy. Waning fiscal stimulus and a reversal of monetary easing beginning in late FY20 limit the ability of the US government to apply aggressive countercyclical fiscal and monetary policy if a downturn materializes. As long-term interest rates drift upward, the strength of the consumer sector will likely soften. Also, as the US economy nears full employment, growth in labor income will be limited, thus curtailing consumer spending as a means to provide economic stimulus.

Inflation for items other than food and energy has remained stable, running slightly above two percent on a year-to-year basis. The absence of volatility in part is due to relatively flat oil prices and a continued strong dollar. Trade tension is expected to temporarily boost inflation for the remainder of the fiscal year. Core PCE inflation is projected to rise 0.4 percentage points to 2.7 percent by the fourth quarter of FY20.

The unemployment rate has hit a fifty-year low, declining 0.2 percentage point to a cyclical low of 3.5 percent in September. The last time the unemployment rate was reported at a 3.5 percent low dates back to December 1969. As employment gains continue to slow and GDP drops below trend, the forecast calls for an upward drift in unemployment for the later part of FY21. Overall, moderate deceleration in the pace of employment gains suggest the labor market could be heading towards it peak.

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

	Q2, Q3, & Q4			Full Year	
	FY20	FY19	% Chg	FY20	% Chg
Real GDP	19,313.5	18,911.3	2.1	19,265.4	2.1
Real Consumption	13,541.5	13,141.0	3.0	13,499.1	3.0
Real Investment	3,406.2	3,445.8	-1.2	3,410.1	-0.7
Real Govt. Expenditures	3,324.3	3,262.3	1.9	3,317.0	1.9
Real Exports	2,587.6	2,533.1	2.2	2,570.3	1.6
Real Imports	3,579.4	3,503.0	2.2	3,564.2	1.9
CPI all goods (% chg)	2.3	1.9	NA	2.2	NA
CPI Food (% chg)	2.4	1.7	NA	2.4	NA
CPI Energy (% chg)	-0.2	-0.2	NA	-1.0	NA
CPI Core (% chg)	2.6	2.1	NA	2.5	NA
Industrial Production Index (% chg)	-0.5	2.7	NA	-0.5	NA
Unemployment Rate (%)	3.5	3.8	NA	3.6	NA

KENTUCKY OUTLOOK

The Commonwealth entered the first quarter of FY20 with an employment gain, increasing by an additional 19,800 jobs or a 1.0 percent change compared to the first quarter of FY19. In terms of adjacent-quarter growth, the employment gain in the first quarter of FY20 marked the ninth consecutive quarter of growth in total nonfarm employment. During this span, Kentucky witnessed an aggregate net increase of 33,200 Kentucky jobs in FY18, FY19 and first quarter of FY20. While positive, total employment has continued to experience lackluster growth since the end of the last recession.

The correct slowdown in employment growth is partly due to a tightened labor market as employment reaches maximum capacity across the US. A downward trend in Kentucky unemployment has been observed since January 2010. Most recently, Kentucky's seasonally adjusted preliminary August 2019 unemployment rate was 4.4 percent, up from 4.3 percent reported for July 2019. The preliminary August 2019 jobless rate was unchanged from the 4.4 percent recorded for the Commonwealth in August 2018.

Looking ahead, state-level employment gains should slightly lag the national average for the remaining quarters of the fiscal year. While a subtle uptick in non-farm employment is expected, lethargic Kentucky employment growth will persist well into the outlook periods. Total non-farm employment is anticipated to gain 14,500 non-seasonally adjusted jobs over the next three quarters, a 0.7 percent increase. The 0.7 percent average growth forecasted over the second, third and fourth quarters indicates a slight slowdown from the 0.9 percent growth averaged over the same periods one year prior.

Growth in the goods producing sector is expected to be weakest of overall non-farm employment, netting a 0.2 percent job loss across the outlook span. More specifically, the construction supersector forecast calls for tepid yet somewhat volatile growth throughout the last three quarters of the fiscal year. The adjacent-quarter growth rate for the first quarter of FY20 was -0.2 percent, with adjacent quarter growth rates of 0.4, -0.1, and 0.2 percent forecasted for the three quarters of the fiscal year, respectively.

The 0.7 percent change reflected in the outlook forecast represents a total gain of 500 construction jobs compared to the second, third and fourth quarters of FY19. To further compound an already volatile market, current international trade disputes have the potential to hike construction and material costs, which could negatively influence Kentucky's market demand and economic conditions.

Another challenge presented in the economic outlook is the anticipated reduction to manufacturing employment. Of the 4,500 manufacturing-related facilities located within the state, roughly 254,000 Kentuckians hold employment, representing roughly 13 percent of the total non-farm workforce. The forecast anticipates a loss of approximately 1,200 of these manufacturing jobs over the final three quarters of FY20, compared to same periods one year prior. The manufacturing sector plays a key role in Kentucky's economy, making up 18.5 percent of state gross domestic product. Any turbulence experienced within the manufacturing industry has the potential to slow economic growth within the Commonwealth.

Shifting focus to the rosier portion of the sectoral analysis, both the service-providing and government employment sectors are on track to gain 12,200 and 2,800 jobs, respectively. These prospective increases represent a 0.9 percent change for each of the employment sectors. In percentage and absolute terms, business services employment grew the quickest, making it the bright spot of the economic outlook. Drilling down a bit further, of the 12,200 additional jobs in the service-providing sector, approximately eighty percent of the forecasted growth is expected to occur within the business services supersector and the leisure and hospitality service supersector.

In contrast to the overall stagnant employment gain, the momentum in personal income growth is projected to continue through the end of the fourth quarter of FY20. Kentuckians' personal income is poised to grow 4.8 percent over the forecast horizon. In fact, personal income growth is expected to outpace the national personal income growth projections by 0.1 percentage points. Holding pace with personal income, the wages and salaries component of personal income is expected to grow 4.4 percent in the second, third and fourth quarters of FY20 compared to the same periods in the prior year. The expected increase in wages and salaries ties directly to the tightened labor market. In effort to attract skilled workers, hiring firms must competitively bid wages.

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

	Q2, Q3, & Q4			Full Year	
	FY20	**FY19**	**% Chg**	**FY20**	**% Chg**
Personal Income ($ millions)	200,871.6	191,609.4	4.8	199,807.8	4.9
Wages and Salaries ($ millions)	99,225.8	95,022.3	4.4	98,741.4	4.6
Non-farm Employment (thousands)	1,960.4	1,945.9	0.7	1,958.4	0.8
Goods-producing	343.8	344.4	-0.2	344.0	0.3
Construction	80.1	79.6	0.7	80.1	1.0
Mining	10.4	10.3	1.2	10.5	2.6
Manufacturing	253.3	254.5	-0.5	253.5	-0.1
Service-providing	1,300.4	1,288.2	0.9	1,298.7	1.0
Trade, Transportation & Utilities	404.9	405.9	-0.2	405.1	-0.1
Information	21.5	21.9	-2.0	21.5	-1.8
Finance	94.5	93.6	1.0	94.3	1.0
Business Services	222.3	217.0	2.5	221.4	1.9
Educational Services	287.4	284.2	1.1	286.9	1.5
Leisure and Hospitality Services	203.9	199.5	2.2	203.4	2.1
Other Services	65.9	66.2	-0.4	66.0	0.0
Government	316.1	313.2	0.9	315.7	0.8

APPENDIX

General Fund and Road Fund Revenue Receipts

First Quarter FY20

KENTUCKY STATE GOVERNMENT – GENERAL FUND REVENUE

	First Quarter FY 2020	First Quarter FY 2019	% Change
TOTAL GENERAL FUND	**$2,697,336,996**	**$2,667,429,897**	**1.1%**
Tax Receipts	**$2,619,085,190**	**$2,588,126,004**	**1.2%**
Sales and Gross Receipts	**$1,227,829,767**	**$1,179,620,655**	**4.1%**
Beer Consumption	1,614,672	1,745,641	-7.5%
Beer Wholesale	16,872,300	16,286,176	3.6%
Cigarette	90,854,388	90,764,122	0.1%
Distilled Spirits Case Sales	36,785	33,745	9.0%
Distilled Spirits Consumption	3,322,337	3,664,372	-9.3%
Distilled Spirits Wholesale	10,967,067	11,605,781	-5.5%
Insurance Premium	22,879,911	30,114,759	-24.0%
Pari-Mutuel	3,599,876	1,486,032	142.2%
Race Track Admission	80,510	86,338	-6.8%
Sales and Use	1,053,250,090	977,331,613	7.8%
Wine Consumption	652,372	769,553	-15.2%
Wine Wholesale	3,503,795	4,049,866	-13.5%
Telecommunications Tax	14,546,019	14,403,829	1.0%
Other Tobacco Products	5,624,869	6,119,283	-8.1%
Floor Stock Tax	24,776	21,159,545	-99.9%
License and Privilege	**$217,906**	**($341,732)**	**---**
Alc. Bev. License Suspension	88,000	111,250	-20.9%
Corporation License	942	44,657	-97.9%
Corporation Organization	27,435	9,505	188.6%
Occupational Licenses	35,686	31,020	15.0%
Race Track License	95,000	95,000	0.0%
Bank Franchise Tax	(197,943)	(805,226)	—
Driver License Fees	168,786	172,062	-1.9%
Natural Resources	**$26,157,904**	**$29,258,307**	**-10.6%**
Coal Severance	17,571,676	19,954,372	-11.9%
Oil Production	1,436,630	1,727,422	-16.8%
Minerals Severance	5,636,844	5,004,077	12.6%
Natural Gas Severance	1,512,754	2,572,435	-41.2%
Income	**$1,308,225,391**	**$1,310,726,340**	**-0.2%**
Corporation	134,241,162	145,816,242	-7.9%
Individual	1,133,970,486	1,115,938,449	1.6%
Limited Liability Entity	40,013,743	48,971,649	-18.3%
Property	**$43,827,499**	**$48,573,747**	**-9.8%**
Building & Loan Association	46,771	257,579	-81.8%
General - Real	73,130	54,344	34.6%
General - Tangible	33,018,120	32,831,714	0.6%
Omitted & Delinquent	3,433,039	4,943,932	-30.6%
Public Service	7,256,726	10,481,690	-30.8%
Other	(288)	4,488	—
Inheritance Tax	**$10,425,927**	**$13,594,894**	**-23.3%**
Miscellaneous	**$2,400,797**	**$6,693,793**	**-64.1%**
Legal Process	3,297,440	4,058,097	-18.7%
T. V. A. In Lieu Payments	(1,175,324)	2,631,901	—
Other	278,681	3,795	7243.4%
Nontax Receipts	$76,167,351	$78,592,656	-3.1%
Departmental Fees	3,595,870	3,649,937	-1.5%
PSC Assessment Fee	13,014,402	15,689,168	-17.0%
Fines & Forfeitures	4,360,041	6,394,100	-31.8%
Income on Investments	(1,831,789)	(1,444,874)	—
Lottery	58,500,000	56,500,000	3.5%
Miscellaneous	(1,471,172)	(2,195,674)	—
Redeposit of State Funds	**$2,084,455**	**$711,236**	**193.1%**

KENTUCKY STATE GOVERNMENT – ROAD FUND REVENUE

	First Quarter FY 2020	First Quarter FY 2019	% Change
TOTAL ROAD FUND	**$401,666,340**	**$397,284,793**	**1.1%**
Tax Receipts-	**$392,393,114**	**$389,353,673**	**0.8%**
Sales and Gross Receipts	**$343,740,511**	**$334,302,285**	**2.8%**
Motor Fuels Taxes	202,824,589	201,176,590	0.8%
Motor Vehicle Usage	140,915,922	133,125,695	5.9%
License and Privilege	**$48,652,603**	**$55,051,388**	**-11.6%**
Motor Vehicles	20,592,045	23,726,370	-13.2%
Motor Vehicle Operators	4,234,075	4,327,187	-2.2%
Weight Distance	21,504,601	21,226,226	1.3%
Truck Decal Fees	15,417	16,739	-7.9%
Other Special Fees	2,306,465	5,754,867	-59.9%
Nontax Receipts	**$8,394,247**	**$7,659,452**	**9.6%**
Departmental Fees	5,815,294	4,802,627	21.1%
In Lieu of Traffic Fines	87,592	92,633	-5.4%
Income on Investments	1,496,680	1,907,089	-21.5%
Miscellaneous	994,681	857,103	16.1%
Redeposit of State Funds	**$878,979**	**$271,667**	**223.6%**

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 laborforce 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 laborforce data, Unemployed is a subset of the civilian labor force who are not currently employed but are actively seeking employment.
Working population	The group of persons who are 16 years or older, non-institutionalized, not in prison, not in an old-age home, and not engaged in active military duty. It is meant to capture those persons who are capable of working and could work if suitable employment were found. Working population figures are listed in millions.

Tables Notes

Table 3
Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.
Components do not sum to GDP because they are annualized independently.
Data for FY20 Q1 are September 2019 estimates.
Source: IHS Markit - Economics & Country Risk, September 9, 2019 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
Not Seasonally Adjusted. Data for FY20 Q1 are September 2019 estimates.
Source: IHS Markit - Economics & Country Risk, September 9, 2019 data release.

Table 6
Not Seasonally Adjusted. Data for FY20 Q1 are September 2019 estimates.
Source: IHS Markit - Economics & Country Risk, September 9, 2019 data release.

Table 9
Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.
Components do not sum to GDP because they are annualized independently.
Source: IHS Markit - Economics & Country Risk, September 9, 2019 data release.

Table 10
Not Seasonally Adjusted.
Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis
MAK model, September 2019.