

Commonwealth of Kentucky

Quarterly Economic & Revenue Report

Second Quarter Fiscal Year

2020



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



Office of State Budget Director

284 Capitol Annex, 702 Capitol Avenue
Frankfort, Kentucky 40601

Andy Beshear
Governor

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

John T. Hicks
State Budget Director

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

January 30, 2020

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

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

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

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

Pursuant to KRS 48.400(2), the enclosed Quarterly Economic and Revenue Report summarizes Kentucky's revenue and economic statistics for the second quarter of Fiscal Year 2020 (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 Interim Revenue Outlook mirrors the December 17, 2019 estimates prepared in conjunction with the Consensus Forecasting Group (CFG). In addition to the latest economic forecast for the U.S. and Kentucky, the revenue estimates incorporate various tax law changes enacted during the 2018 and 2019 Regular Sessions of the General Assembly.

Governor Beshear, Mr. Hartz, Ms. Dudgeon

January 30, 2020

Page 2

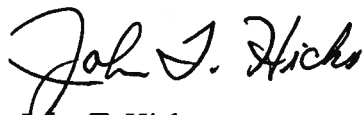
General Fund receipts in the second quarter of FY20 totaled \$3,051.1 million compared to \$2,929.7 million in the second quarter of FY19, for an increase of 4.1 percent, or \$121.5 million. Through the first half of the fiscal year, receipts have increased 2.7 percent. Total Road Fund collections increased 1.1 percent during the second quarter of FY20. Total receipts of \$378.1 million compare to \$374.0 million from the second quarter of last year. Year-to-date Road Fund collections have grown 1.1 percent compared to last year's total.

Looking ahead to the forecast for FY20 in its entirety, the projected General Fund revenues for FY20 equal \$11,576.2 million – for growth of 1.6 percent. It is anticipated that the Road Fund will end the year with little to no revenue growth.

Kentucky personal income grew by 4.9 percent in the second quarter of FY20, while Kentucky wages and salaries grew by 4.7 percent. Kentucky non-farm employment was slow, growing only 1.4 percent in the second quarter. The Commonwealth's economic outlook for personal income and wages calls for strong but slightly slower growth in the remaining two quarters of FY20, and growth tapering even further entering into the first quarter of FY21. Personal income is anticipated to rise 3.6 percent in the first quarter of FY21, a pace slightly behind the growth in FY20.

We will continue to closely monitor Kentucky's economic and revenue conditions, giving updates at the appropriate times.

Sincerely,



John T. Hicks
State Budget Director

TABLE OF CONTENTS

Executive Summary	1
 Revenue Receipts - Second Quarter FY20	
General Fund Second Quarter FY20	3
Road Fund Second Quarter FY20	6
 The Economy - Second Quarter FY20	
National Economy	8
Kentucky Economy	12
 Interim Outlook	
General Fund	14
Road Fund	17
National Outlook	18
Kentucky Outlook	19
 Appendix	
General Fund and Road Fund Receipts	23-24
Glossary	25-26

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 second quarter of FY20. This report includes updates on the national and Kentucky economic landscapes, as well as a fiscal outlook for the next three fiscal quarters.

The economic forecasts discussed in this report were prepared using the November 2019 “control scenario” economic forecast from both IHS Markit and the Kentucky Macroeconomic Model. Forecasted revenues prepared pursuant to KRS 48.400(2) are typically internal estimates prepared by the staff of the Office of State Budget Director. In even-numbered years, however, the second quarterly report is prepared simultaneously with the work of the Commonwealth’s Consensus Forecasting Group (CFG) as prescribed in KRS 48.120(3). Therefore, the estimates presented herein are identical to the estimates adopted by the CFG on December 17, 2019. In their deliberations, the CFG adopted the “optimistic” revenue forecast for FY20 and chose a more moderate blend for the remainder of the biennium. Fiscal year 2021 and FY22 estimates were created using a blend of 70 percent of the “control” forecast and 30 percent of the “pessimistic” forecast, citing increased risks for a downturn after FY20.

General Fund receipts totaled \$3,051.1 million in the second quarter of FY20, for 4.1 percent growth. The individual income tax grew by 2.3 percent with withholding making up the largest share of the gains. The largest contributor to that growth came from continued good growth in the sales and use tax. The sales and use tax received \$1,034.1 million in receipts for growth of 4.9 percent, or \$48.0 million, over FY19. The “Other” account grew by 26.2 percent, or \$38.9 million, in the second quarter as some one-time money was deposited in December. The lottery account experienced significant growth gaining 20.0 percent, or \$13.2 million, in the second quarter as dividend payments were boosted due to the Kentucky Lottery’s release of retained earnings from a prior accounting period.

Road Fund receipts increased 1.1 percent during the second quarter of FY20, matching the growth from the first quarter of the year. Collections have slowed compared to FY19 which saw revenues grow 3.6 percent for the year. Total receipts received in the second quarter were \$378.1 million, which exceeded last year’s second quarter total by \$4.0 million. Motor fuels and motor vehicle usage tax receipts accounted for nearly all of the quarterly gains. The remaining accounts collectively fell \$1.9 million.

Real GDP increased by 2.1 percent in the second quarter of FY20. Consumption and government expenditures were the main contributors for the solid real GDP growth. US non-farm employment grew by 1.4 percent continuing its low but stable growth. US personal incomes rose by 4.8 percent. Kentucky personal income grew by 4.9 percent. US transfers income was the fastest growing income category growing 7.5 percent. Kentucky transfer income was also the fastest growing income category with growth of 7.6 percent. Kentucky non-farm employment also grew by 1.4 percent in the second quarter, led by construction employment, which grew by 3.4 percent.

General Fund growth in the second half of FY20 is projected to be 0.6 percent compared to the final half of FY19. Growth in the first half of FY20 was 2.7 percent. Revenues for the entire fiscal year of 2020 are projected to be \$11,576.2 million for growth of 1.6 percent.

The official Road Fund forecast calls for little to no revenue growth over the next three quarters due largely to a weakening in motor vehicle usage tax revenues. Among the major accounts, motor fuels tax collections are expected to maintain the rate of growth seen in the first half of the year over the final six months before leveling off in the first quarter of FY21. Usage tax revenues are expected to grow 2.1 percent over the final two quarters of FY20 and then fall 0.6 percent in the first quarter of FY21

Following the global crisis of 2008, the US economy has been growing for an impressive 126-month duration, making it the longest expansion in US history. In the near term, recession risks appear to be abating. IHS Markit forecasts a recession probability of approximately 35 percent beginning in the next 12 months. The national economic outlook calls for continued growth at an above trend pace over the forecast horizon.

Kentucky's economic outlook anticipates continued growth in personal income, as well as subtle gains in non-farm employment, indicating a degree of economic stability that will extend into the first quarter of FY21. Notable job gains are anticipated in business services, construction, leisure and hospitality services, and educational services over the next three quarters. Meanwhile, job losses are expected in the mining and manufacturing supersectors.

REVENUE RECEIPTS

GENERAL FUND Second Quarter FY20

General Fund receipts in the second quarter of FY20 totaled \$3,051.1 million compared to \$2,929.7 million in the second quarter of FY19. This is an increase of 4.1 percent, or \$121.5 million. Through the first half of the fiscal year, receipts have increased 2.7 percent. The official General Fund revenue estimate calls for revenue to grow 1.6 percent compared to FY19 receipts. General Fund revenues must increase 0.6 percent for the remainder of the fiscal year to meet the official estimate.

The gains in the second quarter were concentrated in sales and use tax, individual income tax, and some miscellaneous taxes. Collections for the major revenue categories are shown in Table 1. Detailed information on all tax accounts can be found in the Appendix.

Table 1				
Summary General Fund Receipts				
\$ millions				
	FY20	FY19	Diff	Diff
	Q2	Q2	\$	%
Individual Income	1,093.0	1,068.4	24.6	2.3
Sales & Use	1,034.1	986.1	48.0	4.9
Corp. Inc. & LLET	165.5	172.2	-6.7	-3.9
Property	388.1	382.2	5.9	1.5
Lottery	79.4	66.1	13.2	20.0
Cigarettes	88.9	86.3	2.6	3.0
Coal Severance	14.8	19.8	-5.0	-25.2
Other	187.4	148.5	38.9	26.2
Total	3,051.1	2,929.7	121.5	4.1

The individual income tax collected receipts of \$1,093.0 million in the second quarter of FY20. This compares to \$1,068.4 million that was received in the second quarter of FY19. Individual income tax receipts grew by 2.3 percent, or \$24.6 million. Withholding made up the largest share of the gains in the individual income tax, by growing \$20.2 million, or 2.0 percent, over the second quarter of FY19. Withholding growth has tapered some in the last couple quarters, relative to its recent history. In FY16, withholding grew 4.8 percent for the year. In FY17, withholding grew 3.5 percent and in FY18 it grew 3.3 percent. Fiscal year

2019 contained a tax law change that reduced the withholding tables' rates, and as a result, withholding collections declined by 2.4 percent. Growth in the first two quarters of FY20 have been 2.1 percent and 2.0 percent, respectively.

Individual income tax declarations had a strong second quarter, growing \$4.3 million, or 11.2 percent. The second quarter is the smallest of the four quarters for declarations payments, as there is no declarations due date that falls during that quarter for any type of individual income filer. As a result, declarations payments received during the second quarter are usually late payments for the September 15 due date or an extra payment. The four declarations due dates for calendar year filers are June 15, September 15, January 15, and April 15.

Sales and use receipts continue to be strong, growing 4.9 percent in the second quarter, a net \$48.0 million improvement over FY19. The General Assembly took multiple actions that affected sales tax in the last couple sessions. House Bill 487 added remote sellers and 15 service categories to the sales tax. House Bill 354 added marketplace providers to the sales tax. The net result of these actions was an increase to the sales tax. Some of the actions are still providing new revenues as they are implemented fully. Sales tax has had strong growth for the last six quarters, growing 8.2, 9.0, 7.9, 11.5, 7.8, and 4.9 percent, respectively.

Corporate and LLET receipts declined by 3.9 percent in the second quarter. This is the second consecutive quarter of losses for corporate and LLET receipts. Year-to-date corporate and LLET have declined 7.4 percent over the same period of last year.

Property tax receipts rose by 1.5 percent or \$5.9 million in the second quarter of FY20. Property tax receipts fluctuate considerably from quarter to quarter because billing timing varies from year to year. It is best to measure the health of property tax receipts in February once all bills have gone out and taxpayers have had sufficient time to make their payments. Year-to-date, property tax receipts are up 0.3 percent over FY19. It is expected that some receipts which were posted in December of 2018 were not received in 2019.

Cigarettes receipts are up 3.0 percent, or \$2.6 million, over the second quarter in FY19. Despite the cigarette tax increase from \$0.60 to \$1.10 per pack which was implemented in FY18, cigarette tax receipts continue to rise. It is believed that strong border sales are the cause of the small growth. There are still a number of border states which have a higher tax rate than Kentucky and those customers still find Kentucky a more economical place to shop for their cigarettes.

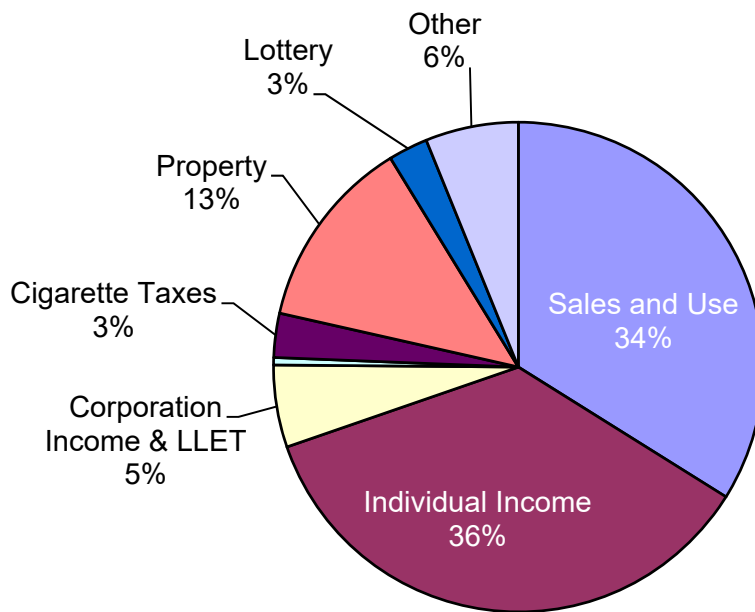
Coal severance receipts continue to struggle falling 25.2 percent, or \$5.0 million, in the second quarter of FY20. Collections of \$14.8 million in the second quarter compare to \$19.8 million received in the second quarter of last year. Coal receipts have fallen in 26 of the last 31 quarters. Year-to-date collections are down 18.6 percent.

Lottery receipts are up 20.0 percent in the second quarter. Scratch-off tickets and Keno have been very successful products for the Lottery Corporation over the last year and it has resulted in boosted dividend payments for the Commonwealth. Receipts of \$79.4 million compares to receipts of \$66.1 million in the second quarter of FY19.

The "Other" category, which is composed of 68 tax accounts, grew by 26.2 percent in the second quarter. Second quarter receipts were \$187.4 million. This is \$38.9 million more than was received in the same quarter of FY19. Much of this increase was due to solid growth in the insurance premium tax, the inheritance tax and a significant one-time payment in the redeposited state funds account. "Redeposited state funds" is the category where lawsuit settlements appear in the General Fund.

Figure 1 shows the composition of General Fund revenues by tax type for the second quarter of FY20. Individual income tax and sales and use tax make up 70 percent of General Fund tax receipts. The next largest sources of revenue were the property tax, which makes up 13 percent of total receipts. The "Other" category makes up six percent of receipts. Corporate and LLET combined make up five percent of receipts, while lottery and cigarettes each make up three percent of receipts. Coal severance receipts made up a negligible amount of the General Fund in the second quarter of FY20.

Figure 1
Composition of Second Quarter FY20
General Fund Revenues



ROAD FUND

Second Quarter FY20

Total Road Fund receipts increased 1.1 percent during the second quarter of FY20, matching the growth from the first quarter of the year. The slowdown in collections comes on the heels of a strong FY19 which saw revenues grow 3.6 percent for the year. Total receipts received in the second quarter were \$378.1 million, which exceeded last year's second quarter total by \$4.0 million. Motor fuels and motor vehicle usage tax receipts accounted for nearly all of the quarterly gains, growing \$5.7 million compared to FY19 totals. The remaining accounts collectively fell \$1.9 million. Year-to-date collections have grown 1.1 percent compared to last year's total.

The official Road Fund revenue estimate was revised in December 2019 and calls for a 0.4 percent increase in revenues for the year. Based on year-to-date tax collections, revenues can decline 0.2 percent for the remainder of FY20 and still meet the estimate. Summary data are contained in Table 2 and detailed data are shown in the Appendix.

	FY20	FY19	Diff	Diff
	Q2	Q2	\$	%
Motor Fuels	195.3	194.4	0.9	0.5
Motor Vehicle Usage	126.9	122.0	4.8	3.9
Motor Vehicle License	21.2	21.7	-0.6	-2.6
Motor Vehicle Operators	4.0	4.0	-0.1	-2.1
Weight Distance	21.2	21.1	0.2	0.8
Income on Investments	1.1	1.9	-0.8	-43.4
Other	8.4	8.9	-0.4	-4.8
Total	378.1	374.0	4.0	1.1

Motor fuels tax receipts grew 0.5 percent, or \$900,000, during the second quarter. Growth in this account has been constrained since the fourth quarter of FY15 as the tax rate has been unchanged since that time. Receipts were \$195.3 million as compared to \$194.4 million collected during the second quarter of last year. Year-to-date collections have increased 0.7 percent.

Motor vehicle usage tax receipts have continued to exceed expectations, growing 3.9 percent in the second quarter. Collections have grown by at least 3.9 percent in five of the last six quarters. For the quarter, revenues were \$126.9 million. Revenues in this account have now increased 4.9 percent through the first six months of FY20.

Motor vehicle license tax receipts fell \$600,000 in the second quarter to \$21.2 million. Collections have fallen in both quarters this fiscal year due primarily to a timing issue in FY19 receipts. Year-to-date revenues have declined 8.1 percent.

Motor vehicle operators' tax receipts were \$4.0 million in the second quarter of FY20, a 2.1 percent decrease compared to collections a year ago.

Weight distance tax receipts were \$21.2 million in the quarter and represent a 0.8 percent increase compared to receipts collected during the second quarter of FY19.

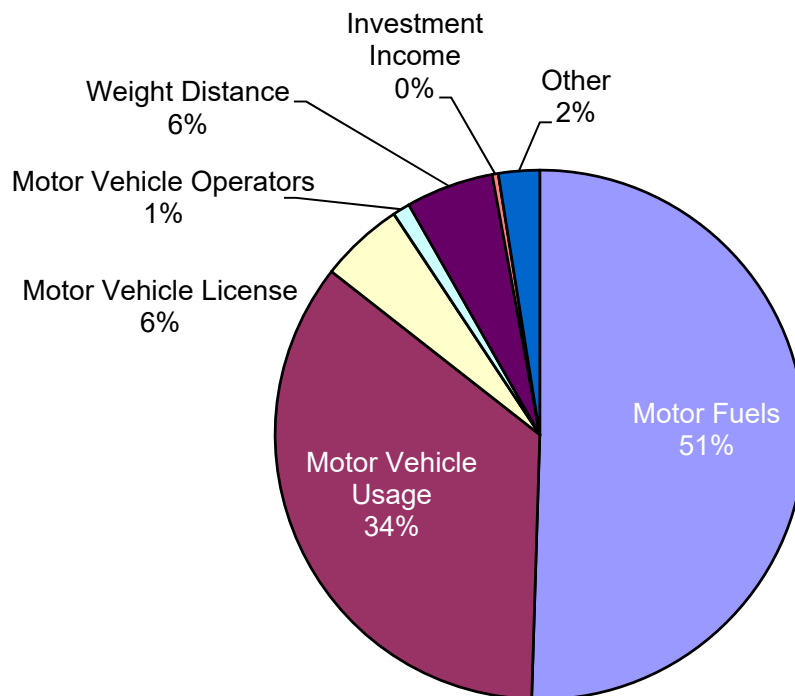
The weight distance tax has some significance as a leading indicator of economic activity, as it is a rough proxy for goods in transit over Kentucky highways.

Income on investments fell 43.4 percent, or \$800,000, in the second quarter as cash balances available for investment fell. For the quarter, collections were \$1.1 million and are \$2.6 million through the first half of FY20.

The remainder of the accounts in the Road Fund are grouped in the “Other” category and consist primarily of fines, fees and miscellaneous receipts. These funds combined to total \$8.4 million, a 4.8 percent decrease from FY19 levels.

Figure 2 shows the composition of Road Fund revenues by tax type in the second quarter. The motor fuels tax and the motor vehicle usage tax are by far the largest components of the Road Fund. Together, they combined for 85 percent of Road Fund revenues in the second quarter. The next largest sources of revenue were the motor vehicle license and weight distance taxes with six percent each. The “Other” category accounted for two percent, while motor vehicle operators comprised one percent. Income on investments accounted for a negligible amount of total Road Fund receipts.

Figure 2
Composition of Second Quarter FY20
Road Fund Revenues



THE ECONOMY

SECOND QUARTER FY20

NATIONAL ECONOMY

Real Gross Domestic Product (real GDP) increased by 2.1 percent in the second quarter of FY20. Adjacent-quarter growth was 0.4 percent. Adjacent-quarter growth is computed as the current relative to the prior quarter. Changes in the adjacent-quarter growth rates reveal far more information about the path of the economy when compared to examining only the single annual growth rates. For instance, the current second quarter of FY20 (annual) growth rate of 2.1 percent does not convey the full story about the tapering of growth rates that have occurred since the second quarter of FY19. The adjacent-quarter growth rates for the last four quarters are 0.8, 0.5, 0.5, and 0.4 percent, respectively. This softening of growth is revealed by an examination of the adjacent-quarter growth rates, but is not revealed when only examining the annual growth rate. This pattern of decline has occurred for just over two years.

The high point during the current expansion period occurred in FY18 with 0.8 percent average growth. It is now the thirteenth consecutive quarter that annual growth has been above 2.0 percent. Consumption and government expenditures were the main contributors for quarterly growth.

Real consumption grew by 2.8 percent in the second quarter of FY20. Real consumption grew by 0.7 percent on an adjacent-quarter basis. Real consumption growth has been very stable over the past 10 quarters. Average adjacent-quarter growth in FY18 was 0.8 percent. Average adjacent-quarter growth in FY19 was 0.7 percent. Average adjacent-quarter growth in the first half of FY20 was also 0.7 percent. Real Consumption made up 70.0 percent of real GDP in the second quarter of FY20.

Real investment declined by 1.0 percent in the second quarter of FY20. Adjacent-quarter growth was -0.4 percent. Recent growth has been poor relative to the recent past. In FY18, adjacent-quarter growth averaged 1.0 percent. It was also 1.0 percent in FY19. Average adjacent-quarter growth in the first half of FY20 was -0.4 percent. Real investment reached an all-time high of \$3,481.1 million in the third quarter of FY19. Real investment has declined for three consecutive quarters following that record. Real investment made up 17.7 percent of real GDP in the second quarter of FY20.

Real government expenditures rose by 2.5 percent in the second quarter of FY20. Adjacent-quarter growth was 0.1 percent in the second quarter. Following the end of the 2007 recession, real government expenditures began to contract. This is normal,

as government expenditures are generally countercyclical. However, in the first quarter of FY15 something unusual happened. Real government expenditures started to grow during an expansion period. Real government expenditures have grown an average of 0.4 percent per quarter on an adjacent-quarter basis since then. This probably has something to do with the extraordinarily long expansion period following the 2007 recession. Real government expenditures made up 17.3 percent of real GDP in the second quarter of FY20.

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

	Second Quarter			
	FY20	FY19	Chg	% Chg
Real GDP	19,183.9	18,783.5	400.4	2.1
Real Consumption	13,432.6	13,066.3	366.3	2.8
Real Investment	3,396.2	3,429.5	-33.2	-1.0
Real Govt. Expenditures	3,316.3	3,234.9	81.3	2.5
Real Exports	2,520.1	2,528.5	-8.5	-0.3
Real Imports	3,511.5	3,511.6	0.0	0.0
CPI all goods (% chg)	2.0	2.2	NA	NA
CPI Food (% chg)	2.1	1.4	NA	NA
CPI Energy (% chg)	-1.8	3.7	NA	NA
CPI Core (% chg)	2.4	2.2	NA	NA
Industrial Production Index (% chg)	-0.9	4.0	NA	NA
Working Population ¹	260.0	258.7	1.3	0.5
Civilian Labor Force ²	164.3	162.6	1.7	1.0
Employed ³	158.8	156.8	2.0	1.3
Unemployed ⁴	5.5	5.8	-0.3	-5.7
Not in Labor Force ⁵	95.7	96.1	-0.4	-0.4
Labor Force Participation Rate ⁶ (%)	63.2	62.9	NA	NA
Unemployment Rate (%)	3.5	3.8	NA	NA

Federal outlays grew by 5.9 percent in the second quarter of FY20. Adjacent-quarter growth for the second quarter is 0.7 percent. Federal outlays were contracting until the second quarter of FY14. Then in the third quarter of FY14, federal outlays started to grow. Moreover, that growth has accelerated in the last seven quarters. Average adjacent-quarter growth between the third quarter of FY14 and the third quarter of FY18 was 0.9 percent. In the last seven quarters, average adjacent-quarter growth has been 1.4 percent. The sources of this growth are from four specific outlays: Medicare, national defense, subsidies and aid to foreign governments. In the period between the third quarter of FY14 and the third quarter of FY18 (the former period), Medicare grew an average of 1.2 percent on an adjacent-quarter basis. From the fourth quarter of FY18 to the second quarter of FY20 (the current period), Medicare grew an average of 2.2 percent on an adjacent-quarter basis. National defense grew from 0.2 percent in the former period and 1.6 percent in the current period. National defense spending has grown a net \$70.3 billion over the last seven quarters. Subsidies

to states or individuals was essentially flat prior to seven years ago. Over the last seven quarters, average adjacent-quarter growth was 6.7 percent. Subsidies have increased a net \$23.8 billion in the last seven quarters.

Table 4
US Federal Outlays
\$ billions, AR

	Second Quarter			
	FY20	FY19	Chg	% Chg
Federal Outlays excl. Gross Investment	4,865.7	4,596.6	269.1	5.9
Social Security	1,046.7	985.1	61.5	6.2
Medicare	826.3	754.6	71.7	9.5
National Defense	688.3	651.8	36.5	5.6
Interest on Debt	576.0	561.4	14.6	2.6
Medicaid	427.2	385.5	41.7	10.8
Non-Medicaid Grants to S&L Govts	192.9	199.1	-6.2	-3.1
Subsidies	82.6	80.7	1.9	2.4
Aid to Foreign Governments	57.0	63.6	-6.6	-10.3

Real exports declined by 0.3 percent in the second quarter of FY20. On an adjacent-quarter basis, exports declined by 0.1 percent. Real exports have declined three times in the last six quarters. This is not unusual, as real exports are an acyclical series. Exports are connected to the economic activities and incomes of the foreign countries as well as domestic economic activities. Real exports have been weak recently and are down a net \$39.8 billion since the end of FY18. Real exports made up 13.1 percent of real GDP in the second quarter of FY20.

Real imports were flat in the second quarter of FY20. While receipts in the last year have been flat, real imports are up relative to FY18. Real imports are up \$101.1 billion since the end of FY18. On an adjacent-quarter basis, real imports have only declined in four quarters since the end of the 2007 recession. Two of those four declines occurred within the last four quarters. Real imports made up 18.3 percent of real GDP in the second quarter of FY20.

US employment rose by 1.4 percent in the second quarter of FY20. US employment grew by 0.3 percent on an adjacent-quarter basis. Growth has been very stable for the last five years. This is the twentieth consecutive quarter that employment growth has increased between 0.3 and 0.5 percent per quarter. Educational services employment was the fastest growing employment sector in both absolute and percentage terms in the second quarter of FY20. Employment grew by 0.6 million, 2.6 percent for the second quarter. Mining employment was the slowest growing sector losing 0.1 million, or 0.4 percent in the second quarter of FY20.

US personal income rose 4.8 percent in the second quarter of FY20. US personal income grew by 0.9 percent on an adjacent-quarter basis. Most income categories

grew robustly in the second quarter. Transfers income was the fastest growing income category with 7.5 percent growth in the second quarter of FY20. The growth in transfers income has been accelerating. Transfers income in FY17 grew by 2.9 percent compared to FY16. Transfers income in FY18 grew by 3.6 percent. Transfers income in FY19 grew by 5.3 percent. Transfers income made up 17.0 percent of total personal income in the second quarter of FY20.

The slowest growing income category is dividends, interest and rents income, which grew by 1.4 percent in the second quarter of FY20. Dividends, interest and rents income has slowed considerably in the last six quarters. In FY18, average adjacent-quarter growth was 2.1 percent. In FY19, average adjacent-quarter growth slowed to 0.9 percent. Average adjacent-quarter growth in the last first half of FY20 is 0.3 percent. Dividends, interest and rents income made up 20.2 percent of total personal income in the second quarter of FY20.

Table 5
Personal Income
\$ billions, SAAR

	Second Quarter			
	FY20	FY19	\$ Diff	% Diff
United States				
Personal Income	18,946	18,083	864	4.8
Social Insurance	1,452	1,369	83	6.1
Residence Adjustments	0	0	0	-60.0
Dividends, Interest and Rents	3,818	3,766	52	1.4
Transfer Receipts	3,229	3,004	226	7.5
Wages & Salaries	9,503	8,990	513	5.7
Supplements to W&S	2,160	2,067	93	4.5
Proprietor's Income	1,687	1,624	63	3.9
Kentucky				
Personal Income	201	192	9	4.9
Social Insurance	16	15	1	5.7
Residence Adjustments	-2	-3	0	-18.8
Dividends, Interest and Rents	34	34	1	1.5
Transfer Receipts	49	45	3	7.6
Wages & Salaries	99	94	4	4.7
Supplements to W&S	25	24	1	4.4
Proprietor's Income	13	13	0	3.1

KENTUCKY ECONOMY

Kentucky non-farm employment grew by 1.4 percent in the second quarter of FY20. Kentucky non-farm employment has been growing consistently since the end of the recession. Kentucky non-farm employment has only declined twice since the end of the recession. It declined on an adjacent-quarter basis in FY17, losing 0.1 percent in both the second and fourth quarters. Since then, Kentucky non-farm employment has grown for 10 consecutive quarters, gaining a net 45,000 jobs during that time.

Construction employment was the fastest growing sector in the second quarter of FY20, gaining 3.4 percent, or 2,700 seasonally-adjusted jobs. Adjacent-quarter growth for construction employment has been either very high or very low recently. For the last four quarters, adjacent-growth was 2.1, -0.3, -1.2, and 2.9 percent, respectively. Construction employment made up 4.1 percent of total Kentucky non-farm employment in the second quarter of FY20. Construction employment is the eighth largest employment sector in Kentucky.

Manufacturing and government employment were tied for the slowest job growth in the second quarter with 0.2 percent. On an adjacent-quarter basis, manufacturing employment declined by 0.7 percent in the second quarter. Manufacturing employment has declined in four of the last 10 quarters. This is unusual during an expansion period. Fortunately, these declines were small enough that manufacturing employment rebounded after one or two quarters to again exceed its previous level. Manufacturing employment made up 12.9 percent of total employment in the second quarter of FY20. Manufacturing is the fourth largest employment sector in Kentucky.

Kentucky personal income grew by 4.9 percent in the second quarter of FY20. On an adjacent-quarter basis, Kentucky personal income grew by 0.9 percent in the second quarter. Personal income growth has been solid for the last 24 quarters; averaging 1.0 percent per quarter on an adjacent-quarter basis. Similar to national personal income, transfer receipts income was the fastest growing income category, growing 7.6 percent. Adjacent-quarter growth rates for the last four quarters are 3.0, 1.3, 1.8, and 1.3 percent, respectively. The average adjacent-quarter growth during the current expansion period is 0.9 percent. Transfer receipts income made up 24.2 percent of personal income in Kentucky in the second quarter. This is the second largest income category in Kentucky.

Proprietor's income was the slowest growing personal income category in the second quarter, growing 3.1 percent. On an adjacent-quarter basis, proprietor's income increased by 0.7 percent in the second quarter. Average adjacent-quarter growth during the current expansion is 0.9 percent growth per quarter. Proprietor's income made up 6.5 percent of total personal income in Kentucky in the second quarter. This is the smallest income category.

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

	US Q2 (millions)			KY Q2 (thousands)		
	FY20	FY19	% Chg	FY20	FY19	% Chg
Non-farm Employment	152.1	150.1	1.4	1,963.6	1,937.3	1.4
Goods-producing	21.1	20.9	0.9	345.9	342.5	1.0
Construction	7.5	7.4	2.0	81.3	78.6	3.4
Mining	0.7	0.8	-0.4	10.4	10.3	1.1
Manufacturing	12.8	12.8	0.4	254.2	253.6	0.2
Service-providing	108.4	106.6	1.6	1,303.2	1,281.0	1.7
Trade, Transportation & Utilities	27.9	27.8	0.4	408.3	404.5	1.0
Information	2.8	2.8	0.1	21.9	21.8	0.5
Finance	8.7	8.6	1.4	94.8	93.4	1.6
Business Services	21.6	21.2	1.9	220.5	215.7	2.2
Educational Services	24.5	23.9	2.6	287.8	281.8	2.1
Leisure and Hospitality Services	16.9	16.5	2.3	203.3	198.2	2.6
Other Services	5.9	5.9	1.3	66.6	65.7	1.3
Government	22.6	22.5	0.7	314.5	313.8	0.2

INTERIM OUTLOOK

GENERAL FUND

The revenue forecasts presented in Table 7 and Table 8 were prepared using the November 2019 economic forecast from both IHS Markit and the Kentucky MAK model. Forecasted revenues prepared pursuant to KRS 48.400(2) are typically internal estimates prepared by the staff of the Office of State Budget Director. In even-numbered years, however, the second quarterly report is prepared simultaneously with the work of the Commonwealth’s Consensus Forecasting Group (CFG) as prescribed in KRS 48.120(3). Therefore, the estimates presented herein are identical to the estimates adopted by the CFG on December 17, 2019. For the current fiscal year, the CFG adopted the “optimistic” forecast – citing strong first-half growth as a driving factor. FY21 and FY22 estimates include a blend of 70 percent of the “control” forecast and 30 percent of the “pessimistic” forecast -- due primarily to increased risks for a downturn after FY20.

Projected General Fund revenues for the next three quarters are shown in Table 7. As the table indicates, General Fund growth in the second half of FY20 is projected to be 0.6 percent compared to the final half of FY19. Growth through the first six months of FY20 was 2.7 percent. Revenues for the entire FY20 are projected to be \$11,576.2 million for growth of 1.6 percent. Growth of 2.8 percent is expected in the first quarter of FY21.

Individual income tax receipts are expected to total \$4,672.9 million in FY20. Receipts are projected to increase by 3.6 percent during the final two quarters of FY20. Taken in aggregate, the individual income tax is forecasted to grow at a 2.8 percent rate for FY20.

**Table 7
General Fund Interim Forecast
\$ millions**

	FY20						FY20		FY21	
	Q1 & Q2		Q3 & Q4		Full Year		Official CFG		Q1	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	\$ Diff	Estimate	% Chg
Individual Income	2,227.0	2.0	2,445.9	3.6	4,672.9	2.8	4,672.9	0.0	1,180.0	4.1
Sales & Use	2,087.4	6.3	2,106.2	6.7	4,193.6	6.5	4,193.6	0.0	1,077.5	2.3
Corp. Inc. & LLET	339.8	-7.4	296.9	-25.0	636.7	-16.5	636.7	0.0	179.3	2.9
Property	431.9	0.3	225.2	4.1	657.1	1.6	657.1	0.0	44.9	2.4
Lottery	137.9	12.4	133.1	-5.8	271.0	2.7	271.0	0.0	60.0	2.5
Cigarettes	179.8	1.5	165.1	-6.4	344.9	-2.4	344.9	0.0	89.5	-1.5
Coal Severance	32.4	-18.6	23.6	-55.6	56.0	-39.7	56.0	0.0	11.7	-33.6
Other	312.4	0.1	431.6	-9.8	744.0	-5.9	744.0	0.0	129.1	3.2
General Fund	5,748.5	2.7	5,827.7	0.6	11,576.2	1.6	11,576.2	0.0	2,771.9	2.8

In forecasting the individual income tax receipts, the first step is to estimate “withholding” collections. Withholding results in roughly 95 percent of the total individual income tax receipts. Declaration (estimated) payments are historically positive, but are offset somewhat by the net refunds account, which is negative due to the high number of refunds that are paid out in February and March every year.

The withholding component of the individual income tax adds stability to the overall tax account, and posted 2.1 percent growth in the first half of FY20. Withholding is expected to remain solid for the remainder of FY20 and into the first quarter of FY21. Withholding is closely tied to wages and salaries and employment in the state.

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 for FY19.

The current fiscal year has begun with solid growth of 6.3 percent in the sales and use tax. Growth in the first half 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 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 Kentucky annually).

Forecasted sales and use tax revenues are \$4,193.6 million in FY20, which would represent a 6.5 percent increase relative to FY19 receipts. Receipts for the first quarter of FY21 are projected to grow by 2.3 percent.

Property tax revenues are expected to pick up the pace of growth to 4.1 percent over the second half of FY20, yielding annual growth of 1.6 percent following first half growth of just 0.3 percent. The state rate on real property remained 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 annual 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.

The corporation income tax and the LLET are estimated in aggregate. 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 Internal Revenue Code 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 negative \$75.5 million and the general volatility of this revenue source, the combined amount of corporation taxes is expected to decline 16.5 percent in FY20. Corporation taxes fell 7.4 percent in the first half of FY20, and are expected to decline 25 percent over the final six months of FY20. While business profits remain positive, the outlook calls for more muted profit growth than was reported in earlier estimates of the corporation taxes.

Coal severance receipts rose 3.6 percent in FY19 and managed to exceed the official estimate by \$15.0 million. Growth in FY19 was entirely 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, have returned to the downward trajectory seen in recent years. The rate of decline in the first half of FY20 was 18.6 percent, with a further sharp drop-off of 55.6 percent is expected in the second half of FY20. Coal severance receipts have fallen from an all-time high of \$298.3 million in FY12 to a projected \$56.0 million in FY20, an all-time low.

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. In previous versions of the quarterly report, the floor stocks tax was added to the cigarette taxes and a combined total was displayed as the cigarette tax. Starting with this report, any floor stocks revenue will be reported as “Other” revenue so that a clean comparison of the cigarette tax can be reported. With that change incorporated, cigarette taxes grew in the first half of FY20 by 1.5 percent. Receipts are expected to retreat by 6.4 percent in the second half of the year. The downward trend in smoking is expected to prevail on second half collections, making the FY20 estimate for cigarette taxes \$344.9 million, a decline of 2.4 percent. Due to declining consumption, the revenue total of \$353.5 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. The official estimate for lottery collections is \$271.0 million, showing growth of 2.7 percent or \$7.1 million in receipts compared to the FY19 total.

The “Other” category contains dozens of miscellaneous accounts, which make up the remainder of the General Fund. Insurance premiums tax, bank franchise tax, and the beer wholesale taxes are usually the three largest accounts in the “Other”

category. The “Other” category of taxes is expected to fall 5.9 percent during FY20, as the official estimate adopted at the December 17, 2019 CFG meeting was \$744.0 million. The two largest declining accounts compared to FY19 are the cigarette floor stocks tax and the abandoned property, which saw extremely high growth in FY19 due to the sale of abandoned securities.

ROAD FUND

The interim Road Fund forecast calls for little to no revenue growth over the next three quarters due largely to a weakening in a major revenue source. After a solid FY19 in which receipts grew 3.6 percent, growth in collections has been only 1.1 percent in each of the first two quarters of FY20. Motor vehicle usage tax has propped up collections over the first half of the year. Absent that boost, revenues would have declined 0.6 percent. Going forward, usage tax collections are expected to slow and then decline.

Table 8
Road Fund Interim Forecast
\$ millions

	FY20						FY20		FY21	
	Q1 & Q2		Q3 & Q4		Full Year		Official CFG		Q1	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	\$ Diff	Estimate	% Chg
Motor Fuels	398.2	0.7	380.8	0.8	779.0	0.7	779.0	0.0	202.8	0.0
Motor Vehicle Usage	267.8	4.9	264.8	2.1	532.6	3.5	532.6	0.0	140.1	-0.6
Motor Vehicle License	41.7	-8.1	74.6	-1.2	116.3	-3.8	116.3	0.0	20.7	0.5
Motor Vehicle Operators	8.2	-2.1	8.9	7.8	17.1	2.8	17.1	0.0	5.0	18.1
Weight Distance	42.7	1.1	41.4	-0.2	84.1	0.5	84.1	0.0	21.6	0.4
Income on Investments	2.6	-32.4	1.1	-86.1	3.7	-69.0	3.7	0.0	1.4	-6.4
Other	18.5	-10.3	21.5	-12.3	40.0	-11.4	40.0	0.0	10.3	2.0
Road Fund	779.7	1.1	793.1	-0.2	1,572.8	0.4	1,572.8	0.0	401.9	0.1

Road Fund revenues have increased 1.1 percent through the first two quarters of FY20 as gains in motor fuels and motor vehicle usage tax collections have offset declines in license and privilege receipts. Motor fuels collections increased 0.7 percent due to an increase in consumption as the tax rate has remained unchanged since the fourth quarter of FY15. Motor vehicle usage tax revenue has grown 4.9 percent so far in FY20 while license and privilege receipts have declined 6.9 percent. The remaining accounts have combined for an increase of \$0.4 million.

Motor fuels tax collections are expected to maintain the rate of growth seen in the first half of the year over the final six months before leveling off in the first quarter of FY21. The forecast calls for the tax rate to remain at the statutory minimum rate through the estimation period. This means that any growth in this account will be attributable to changes in consumption. Growth rates for this account are expected to be 0.8 percent over the rest of the current fiscal year and 0.0 percent in the first quarter of FY21.

Motor vehicle usage tax collections grew 4.9 percent in the first half of FY20. The forecast is for a slowdown in revenues over the next two quarters before falling in the first quarter of FY21. Revenues are expected to grow 2.1 percent over the final two quarters of FY20 and then fall 0.6 percent in the first quarter of FY21.

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 together assessed recent growth patterns as well as administrative and statutory factors. Motor vehicle license taxes are forecasted to decrease 1.2 percent in the final two quarters of FY20 and grow 0.5 percent in the first quarter of FY21. Motor vehicle operators' license revenues are projected to rise 7.8 percent for the remainder of the fiscal year before growing 18.1 percent in the first quarter of FY21. The continued rollout of the REAL ID Act will be the main contributor to the increase in collections. Weight distance tax revenue is forecast to fall 0.2 percent for the remainder of the fiscal year and then rise 0.4 percent over the first three months of FY21. Income on investments is expected to decline 86.1 percent over the remainder of the fiscal year and fall another 6.4 percent in the first quarter of FY21 due to smaller cash balances available for investment. All other revenues will decrease 12.3 percent during the last six months of FY20 and then increase 2.0 percent in the first quarter of FY21.

NATIONAL OUTLOOK

Following the global crisis of 2008, the US economy has been growing for an impressive 126 months, making it the longest expansion in US history. In the near term, recession risks appear to be abating. IHS Markit forecasts a recession probability of approximately 35 percent beginning in the next 12 months. The National economic outlook calls for continued growth at an above trend pace over the forecast horizon.

Gross domestic product, the metric used to measure periods of sustained growth, is projected to grow 2.0 percent for the remainder of FY20 and 2.1 percent for the first quarter of FY21. According to the US Bureau of Economic Analysis, the GDP growth that the US has experienced in recent quarters is sustainable into the outlook periods.

Rebounding activities at Boeing and GM are aiding factors in the rise of GDP over the next three quarters. Production and shipments of the grounded Boeing 737 MAX line are anticipated to resume in the second quarter of FY21. Following the shutdown at GM, which occurred mid-September through the majority of October, production schedules (issued after the conclusion of the strike) reflect production levels rising above the production rates that were scheduled prior to the shutdown. The recent softness observed in real exports and real imports is expected to be strengthened with a modest uptick entering into FY21, with anticipated growth of 2.4 percent and 3.0 percent, respectively. In the outlook periods, additional factors that support above trend growth include core measures of inflation remain soft, oil prices are expected to

fall to \$52 per barrel for Brent crude, credit conditions will continue to gradually ease, housing starts are expected to rise, and fiscal stimulus is expected to extend from the Bipartisan Budget Act of 2019.

After reaching its peak of 9.9 percent in the second quarter of FY10, an overall downtrend in unemployment has been observed for all following periods. The unemployment rate is forecasted to edge down to 3.4 percent by the first quarter of FY21. Beginning an upward drift in later FY21 that is consequent with a tighter labor market and weaker employment gains. The final quarters of FY20 will contain a temporary boost in the US labor force, as hiring of 350,000 temporary workers for the Decennial Census, before returning to the trend of slowing employment gains.

Table 9
US Economic Outlook
FY20 Q3 & Q4, FY21 Q1

	Q3 & Q4			Full Year		Q1	
	FY20	FY19	% Chg	FY20	% Chg	FY21	% Chg
Real GDP	19,347.3	18,974.6	2.0	19,247.8	2.0	19,515.9	2.1
Real Consumption	13,564.9	13,176.7	2.9	13,476.5	2.8	13,692.0	2.6
Real Investment	3,383.9	3,452.9	-2.0	3,393.8	-1.2	3,449.3	1.1
Real Govt. Expenditures	3,345.0	3,277.3	2.1	3,329.7	2.2	3,368.9	1.7
Real Exports	2,568.4	2,535.9	1.3	2,544.8	0.6	2,581.8	2.4
Real Imports	3,542.8	3,498.3	1.3	3,526.4	0.8	3,612.8	3.0
CPI all goods (% chg)	2.1	1.7	NA	2.0	NA	2.0	NA
CPI Food (% chg)	1.9	1.9	NA	1.9	NA	2.4	NA
CPI Energy (% chg)	-1.0	-2.1	NA	-1.9	NA	-1.9	NA
CPI Core (% chg)	2.5	2.1	NA	2.4	NA	2.3	NA
Industrial Production Index (% chg)	0.0	2.0	NA	-0.2	NA	0.3	NA
Unemployment Rate (%)	3.4	3.8	NA	3.5	NA	3.4	-6.5

KENTUCKY OUTLOOK

Continued growth is expected in personal income, as well as subtle gains in non-farm employment, indicate a degree of economic stability that will extend into the first quarter of FY21. State-level employment gains should lag the national average for the remaining half of FY20, entering into the first quarter of the new fiscal year.

Over the forecast horizon, Kentuckians' personal income is anticipated to continue its long-term trend of adjacent-quarter growth, spanning back to the fourth quarter of FY16. Looking ahead, personal income is poised to grow 4.6 percent through the remainder of the fiscal year. Entering the first quarter of FY21, growth in personal income is expected to dampen slightly to 3.6 percent, compared to the percentage change of growth in the first quarter of FY20. Wages and salaries, the largest component of personal income, is expected to increase by 3.6 percent in the third and

fourth quarters of FY20, compared to the same periods one year prior. In the first quarter of FY21, wages and salaries are expected to increase 3.1 percent, mirroring the slight decline in personal income growth. Despite the tight labor market, wages and salary growth remains respectable over the forecast horizon.

Total non-farm employment is expected to rise by an additional 19,500 jobs in the final two quarters of FY20 and grow an additional 1.0 percent in the first quarter of FY21. While a subtle uptick in non-farm employment is expected across the Commonwealth, historically low employment growth will persist well into the outlook periods. Overall, notable job gains are anticipated to occur in construction, business services, educational services, as well as leisure and hospitality supersectors. Meanwhile, continued job losses are expected in the mining and manufacturing supersectors.

Growth in the goods-producing sector is expected to be significantly weaker than the service-providing sectors. More specifically, the manufacturing forecast calls for significant job loss across the outlook span. The -0.5 percent change reflected in the third and fourth quarter of FY20 accounts for a total loss of 1,300 manufacturing jobs, compared to the same periods one year prior. Job loss is anticipated to persist into the first quarter of FY21, as an additional 2,000 manufacturing job cuts are expected.

Kentucky is not immune to external shocks and economic conditions experienced on a national level. The pace of manufacturing production and employment has slowed across the US, and in turn the effects have rippled to the state-level. Trade restrictions, business uncertainties, and foreign retaliation of US products have been commonly cited factors that are responsible for ongoing reductions in manufacturing jobs. While these factors most certainly affect a portion of the manufacturing decline, it does not illustrate the story in its entirety.

Cross-regional migration and skill mismatch are also strong contributing factors that contribute to declining manufacturing workforce. The loss of jobs in a particular region or employment sector generally are being replaced in absolute terms, if not as a share of the labor force, in exchange for a new job in an alternate region or employment sector. The gap between an individual's job skills and the demands of the job itself can inflict strain on the productivity and efficiency of select industries. In response to the decline in manufacturing employment, the economic outlook anticipates a rise in construction jobs, growing 3.2 percent in the first quarter of FY21. Looking ahead, slowing production growth extending well into the new fiscal year in combination with an abundance of qualified workers will heighten the material slowing of employment gains.

Table 10
Kentucky Economic Outlook
FY20 Q3 & Q4, FY21 Q1

	Q3 & Q4			Full Year		Q1	
	FY20	FY19	% Chg	FY20	% Chg	FY21	% Chg
Personal Income (\$ millions)	204,215.8	195,265.0	4.6	202,323.1	4.7	206,826.2	3.6
Wages and Salaries (\$ millions)	99,726.1	96,286.8	3.6	99,011.6	4.2	101,004.0	3.1
Non-farm Employment (thousands)	1,969.7	1,950.2	1.0	1,964.6	1.1	1,975.0	1.0
Goods-producing	345.1	345.4	-0.1	345.3	0.6	344.1	-0.2
Construction	81.4	80.1	1.6	80.8	1.9	81.5	3.2
Mining	10.0	10.3	-2.6	10.1	-2.0	9.3	-4.8
Manufacturing	253.7	255.0	-0.5	254.4	0.3	253.2	-1.1
Service-providing	1,307.9	1,291.8	1.2	1,304.6	1.4	1,314.1	1.1
Trade, Transportation & Utilities	408.5	406.6	0.5	408.6	0.7	408.6	-0.1
Information	21.9	21.9	-0.4	21.9	-0.1	21.8	-0.1
Finance	95.2	93.6	1.7	94.9	1.6	95.6	1.2
Business Services	222.3	217.6	2.1	220.7	1.6	226.1	3.8
Educational Services	288.8	285.4	1.2	288.5	2.0	289.3	0.2
Leisure and Hospitality Services	204.9	200.1	2.4	203.5	2.2	206.9	3.0
Other Services	66.3	66.5	-0.2	66.4	0.6	65.8	-1.2
Government	316.6	312.9	1.2	314.8	0.5	316.8	1.7

APPENDIX

***General Fund and Road Fund
Revenue Receipts***

SECOND QUARTER FY20

KENTUCKY STATE GOVERNMENT – GENERAL FUND REVENUE

	Second Quarter FY 2020	Second Quarter FY 2019	% Change	Year-To-Date FY 2020	Year-To-Date FY 2019	% Change
TOTAL GENERAL FUND	\$3,051,149,659	\$2,929,696,069	4.1%	\$5,748,486,655	\$5,597,125,965	2.7%
Tax Receipts	\$2,914,656,266	\$2,813,863,128	3.6%	\$5,533,741,457	\$5,401,989,132	2.4%
Sales and Gross Receipts	\$1,223,157,301	\$1,147,087,466	6.6%	\$2,450,987,067	\$2,326,708,121	5.3%
Beer Consumption	1,653,820	1,585,478	4.3%	3,268,492	3,331,119	-1.9%
Beer Wholesale	16,142,108	13,672,616	18.1%	33,014,408	29,958,792	10.2%
Cigarette	88,888,776	86,282,818	3.0%	179,743,163	177,046,940	1.5%
Distilled Spirits Case Sales	52,618	41,349	27.3%	89,403	75,093	19.1%
Distilled Spirits Consumption	4,545,226	3,191,986	42.4%	7,867,563	6,856,358	14.7%
Distilled Spirits Wholesale	15,794,150	11,110,489	42.2%	26,761,217	22,716,271	17.8%
Insurance Premium	27,235,393	17,859,403	52.5%	50,115,304	47,974,163	4.5%
Pari-Mutuel	5,379,782	3,331,935	61.5%	8,979,658	4,817,967	86.4%
Race Track Admission	35,562	66,937	-46.9%	116,072	153,276	-24.3%
Sales and Use	1,034,128,763	986,139,225	4.9%	2,087,378,854	1,963,470,838	6.3%
Wine Consumption	913,188	687,010	32.9%	1,565,560	1,456,562	7.5%
Wine Wholesale	5,226,656	3,937,649	32.7%	8,730,451	7,987,514	9.3%
Telecommunications Tax	17,721,602	13,885,757	27.6%	32,267,620	28,289,586	14.1%
Other Tobacco Products	5,427,357	5,264,421	3.1%	11,052,226	11,383,704	-2.9%
Floor Stock Tax	12,299	30,394	-59.5%	37,075	21,189,939	-99.8%
License and Privilege	(\$516,903)	\$259,193	—	(\$298,998)	(\$82,538)	—
Alc. Bev. License Suspension	68,000	69,007	-1.5%	156,000	180,257	-13.5%
Corporation License	36,556	1,787	1946.1%	37,498	46,443	-19.3%
Corporation Organization	1,115	97,535	-98.9%	28,550	107,040	-73.3%
Occupational Licenses	51,719	24,694	109.4%	87,405	55,714	56.9%
Race Track License	80,492	123,375	-34.8%	175,492	218,375	-19.6%
Bank Franchise Tax	(980,677)	(243,642)	—	(1,178,620)	(1,048,868)	—
Driver License Fees	225,891	186,438	21.2%	394,678	358,500	10.1%
Natural Resources	\$23,025,414	\$29,363,057	-21.6%	\$49,183,318	\$58,621,364	-16.1%
Coal Severance	14,805,357	19,804,862	-25.2%	32,377,033	39,759,234	-18.6%
Oil Production	1,334,638	1,449,045	-7.9%	2,771,268	3,176,467	-12.8%
Minerals Severance	5,855,025	5,819,491	0.6%	11,491,870	10,823,568	6.2%
Natural Gas Severance	1,030,394	2,289,660	-55.0%	2,543,148	4,862,096	-47.7%
Income	\$1,258,485,671	\$1,240,577,990	1.4%	\$2,566,711,063	\$2,551,304,330	0.6%
Corporation	106,905,762	143,021,515	-25.3%	241,146,924	288,837,756	-16.5%
Individual	1,092,983,027	1,068,370,921	2.3%	2,226,953,513	2,184,309,370	2.0%
Limited Liability Entity	58,596,883	29,185,554	100.8%	98,610,626	78,157,203	26.2%
Property	\$388,106,643	\$382,241,236	1.5%	\$431,934,141	\$430,814,983	0.3%
Building & Loan Association	(390,534)	0	—	(343,762)	257,579	—
General - Real	219,231,110	216,152,140	1.4%	219,304,240	216,206,484	1.4%
General - Tangible	116,041,618	115,136,668	0.8%	149,059,737	147,968,382	0.7%
Omitted & Delinquent	7,201,365	7,587,326	-5.1%	10,634,405	12,531,258	-15.1%
Public Service	44,709,712	42,360,667	5.5%	51,966,438	52,842,357	-1.7%
Other	1,313,371	1,004,435	30.8%	1,313,084	1,008,924	30.1%
Inheritance Tax	\$16,058,715	\$10,989,006	46.1%	\$26,484,642	\$24,583,900	7.7%
Miscellaneous	\$6,339,426	\$3,345,179	89.5%	\$8,740,223	\$10,038,972	-12.9%
Legal Process	3,195,025	2,375,182	34.5%	6,492,464	6,433,279	0.9%
T. V. A. In Lieu Payments	2,839,161	969,997	192.7%	1,663,837	3,601,898	-53.8%
Other	305,240	0	—	583,921	3,795	—
Nontax Receipts	\$122,142,844	\$114,133,353	7.0%	\$198,310,195	\$192,726,009	2.9%
Departmental Fees	2,514,613	2,733,581	-8.0%	6,110,483	6,383,518	-4.3%
PSC Assessment Fee	56,967	450,441	-87.4%	13,071,368	16,139,609	-19.0%
Fines & Forfeitures	4,380,410	3,996,107	9.6%	8,740,451	10,390,207	-15.9%
Income on Investments	(2,957,100)	(4,493,694)	—	(4,788,888)	(5,938,568)	—
Lottery	79,363,344	66,146,017	20.0%	137,863,344	122,646,017	12.4%
Miscellaneous	38,784,611	45,300,900	-14.4%	37,313,438	43,105,226	-13.4%
Redeposit of State Funds	\$14,350,548	\$1,699,588	744.4%	\$16,435,003	\$2,410,824	581.7%

KENTUCKY STATE GOVERNMENT – ROAD FUND REVENUE

	Second Quarter FY 2020	Second Quarter FY 2019	% Change	Year-To-Date FY 2020	Year-To-Date FY 2019	% Change
TOTAL ROAD FUND	\$378,064,811	\$374,033,793	1.1%	\$779,731,151	\$771,318,586	1.1%
Tax Receipts-	\$370,682,314	\$365,695,722	1.4%	\$763,075,428	\$755,049,395	1.1%
Sales and Gross Receipts	\$322,197,177	\$316,456,720	1.8%	\$665,937,688	\$650,759,004	2.3%
Motor Fuels Taxes	195,341,009	194,417,348	0.5%	398,165,598	\$395,593,938	0.7%
Motor Vehicle Usage	126,856,168	122,039,371	3.9%	267,772,090	\$255,165,067	4.9%
License and Privilege	\$48,485,138	\$49,239,002	-1.5%	\$97,137,740	\$104,290,391	-6.9%
Motor Vehicles	21,157,597	21,712,323	-2.6%	41,749,642	\$45,438,693	-8.1%
Motor Vehicle Operators	3,955,317	4,041,243	-2.1%	8,189,392	\$8,368,429	-2.1%
Weight Distance	21,235,535	21,058,823	0.8%	42,740,136	\$42,285,050	1.1%
Truck Decal Fees	3,660	10,927	-66.5%	19,077	\$27,665	-31.0%
Other Special Fees	2,133,028	2,415,687	-11.7%	4,439,493	\$8,170,554	-45.7%
Nontax Receipts	\$7,307,690	\$7,626,377	-4.2%	\$15,701,937	\$15,285,829	2.7%
Departmental Fees	5,179,584	4,684,971	10.6%	10,994,878	\$9,487,598	15.9%
In Lieu of Traffic Fines	79,020	87,470	-9.7%	166,612	\$180,103	-7.5%
Income on Investments	1,071,306	1,892,143	-43.4%	2,567,985	\$3,799,232	-32.4%
Miscellaneous	977,781	961,793	1.7%	1,972,462	\$1,818,896	8.4%
Redeposit of State Funds	\$74,807	\$711,695	-89.5%	\$953,786	\$983,362	-3.0%

Glossary

Adjacent-quarter	A growth rate computed as the current quarter relative to the previous quarter. Adjacent-quarter growth is only appropriate when looking at seasonally-adjusted or annual rate data.
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 Q2 are November 2019 estimates.

Source: IHS Markit - Economics & Country Risk, November 11, 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 Q2 are November 2019 estimates.

Source: IHS Markit - Economics & Country Risk, November 11, 2019 data release.

Table 6

Not Seasonally Adjusted. Data for FY20 Q2 are November 2019 estimates.

Source: IHS Markit - Economics & Country Risk, November 11, 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, November 11, 2019 data release.

Table 10

Not Seasonally Adjusted.

Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis and MAK model, November 2019.