Commonwealth of Kentucky

Quarterly Economic and Revenue Report

Second Quarter Fiscal Year

- 2022 -

Governor's Office for Economic Analysis

Office of the State Budget Director

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

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

Ms. Laurie Dudgeon
Director
Administrative Office of the Courts
1001 Vandalay Drive
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Honorable Governor Beshear, Mr. Hartz and Ms. Dudgeon:

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

This report includes an interim revenue forecast for FY22 and the first quarter of FY23 for the General and Road Funds. The report also provides updates on the national and Kentucky economic landscapes.

TEAM
KENTUCKY

The economic and revenue estimates in this Quarterly Report correspond to the official estimates agreed upon by the Consensus Forecasting Group (CFG) at the December 17, 2021 meeting. The current official General Fund estimate for FY22 is now $13,791.9 million, an estimate that exceeds the previously enacted projection of $11,849.8 million by $1,942.1 million. The revised FY22 Road Fund estimate adopted by the CFG of $1,680.1 million is $70.9 million more than the FY22 enacted Road Fund estimate of $1,609.2 million.

Real GDP is expected to grow 5.0 percent in the second half of FY22 followed by 5.5 percent in the first quarter of FY23. All the components of real GDP are expected to perform well during the forecasting horizon. Kentucky personal income is expected to fall 4.2 percent in the second half of FY22 due primarily to large losses in Kentucky transfer payments income. Kentucky wages and salaries and supplements to wages and salaries are expected to grow substantially in the second half of FY22, growing 7.7 percent each. Then Kentucky personal income increases by 2.5 percent in the first quarter of FY23, as growth in several other components of personal income overwhelm the continued losses in Kentucky transfer payments income.

This office will continue to closely monitor Kentucky’s economic and revenue conditions during this turbulent time and will provide updates at the appropriate times.

Sincerely,

John T. Hicks
State Budget Director

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EXECUTIVE SUMMARY

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) is directed to continuously monitor the financial situation of the Commonwealth. In fulfillment of this statutory requirement, OSBD submits this *Quarterly Economic and Revenue Report* for the second quarter of fiscal year 2022 (FY22). This report includes the actual revenue receipts for the second quarter, analysis of the economic conditions from the second quarter, as well as an economic and revenue outlook for the next three fiscal quarters which make up the remainder of FY22 and the first quarter of FY23.

In odd-numbered years, the second quarter report coincides with the schedule of the Consensus Forecasting Group (CFG), a group established under KRS 48.115 consisting of individuals who are knowledgeable about the state and national economy and the revenue and financial conditions of the Commonwealth. At a meeting held on December 17, 2021, the CFG reached a consensus on the official estimates that will be used in this revenue outlook. The CFG considered three scenarios for economic conditions and three separate revenue outlooks before reaching a conclusion that an equal blend of the control and optimistic forecasts represented the most likely outcome for the national and state economies, and by extension the revenues forecasted based on these forecasts. Forecasted revenues presented in Table 1 and Table 2 were projected using the November 2021 economic forecast from both IHS Markit and the Kentucky MAK model as the primary inputs as directed by the CFG.

Since the previous edition of the quarterly report, growth in the General Fund has remained quite strong. Second quarter receipts grew 12.3 percent over the same fiscal quarter in FY21. The three largest General Fund revenue sources constitute 78.5 percent of total tax receipts in the second quarter of FY22. Collectively, the sales tax, individual income tax, and major business taxes have grown 14.6 percent in the second quarter of FY22 – providing a solid platform for overall revenue growth. Kentucky, like many other states, is witnessing some of the strongest overall revenue growth in over a decade.

Projected General Fund Growth for the final two quarters of FY22

Following the December CFG meeting, the current official estimate for FY22 is now $13,791.9 million, an estimate that exceeds the enacted projection of $11,849.8 million by $1,942.1 million. Projected General Fund revenues for the forecasting horizon are displayed in Table 1. The official outlook calls for FY22 General Fund revenues grow by 7.5 percent increase. Due to strong year-to-date growth, General Fund revenues can remain flat for the remainder of the fiscal year and still meet the official estimate. Projected growth in the sales tax and individual income tax is expected to offset forecasted declines in the major business taxes, property tax, and "other" revenues. Other revenues are expected to decline sharply due to the repeal of the bank franchise tax that will result in a revenue loss of approximately $124 million in March 2022.

Projected Road Fund Growth for the second half of FY22

The official Road Fund revenue estimate was revised in December 2021 and calls for a 2.3 percent increase in revenues for the year. Based on the strength of year-to-date collections, revenues must grow 1.5 percent for the remainder of the fiscal year to meet the estimate.

The Road Fund estimates produced in the second quarter report, which coincide with the December 2021 official estimates, call for a slowing of revenue growth over the next six months and remaining tepid through the first quarter of FY23. This is a direct result of the revenue situation in FY21 where collections were especially weak through the first three quarters before skyrocketing in the final quarter. Year-to-date collections at the end of the third quarter stood at only 0.8 percent but then grew 43.8 percent in the final quarter of FY21. That has created a situation in which revenue growth this year is almost assured for the first three quarters but will make revenue growth over the final three months extremely difficult.

Summary of Projected Major Economic Factors

The forecast used in this quarterly report for the national economic outlook is an equal blend of the control and optimistic scenarios from the November 2021 IHS Markit data-- the same blended forecast that was selected by the CFG during the December 17, 2021 meeting as the most likely outcome.

Real GDP is expected to grow 5.0 percent in the second half of FY22 followed by 5.5 percent in the first quarter of FY23. All the components of real GDP are expected to perform well during the forecasting horizon. The growth in real GDP is led by much stronger growth in real investment, continued strong growth in real consumption, and substantial growth in real exports. Inflation is expected to exceed the 2.0 percent informal target set by the Fed, with FY22 average growth in the CPI for all goods coming in at 5.0 percent. Among broader US aggregate statistics, the unemployment rate is projected to decline to an average level of 4.3 percent for all FY22 with further improvement to 3.5 percent by the first quarter of FY23.

When all factors are considered, the national economic outlook is very positive. All five sectors of real GDP are expected to grow throughout the forecasting horizon. US employment and wages and salaries are expected to grow above their respective long-term trend levels, and real consumption and real investment remain strong.

Kentucky personal income is expected to fall 4.2 percent in the second half of FY22 due primarily to large losses in Kentucky transfer payments income. Kentucky wages and salaries and supplements to wages and salaries are expected to increase substantially in the second half of FY22, growing 7.7 percent each. Then Kentucky personal income increases by 2.5 percent in the first quarter of FY23, as growth in several other components of personal income overwhelm the continued losses in Kentucky transfer payments income. Positive growth of 0.1 percent is expected for the entirety of FY22. The forecast for Kentucky wages and salaries is the highest three-quarter growth period since 2000.

Summary of Second Quarter Tax Receipts

General Fund receipts grew at a robust 12.3 percent in the second quarter of FY22 and now stand at 15.9 percent after the first half of the year. The just completed three-month period was the third consecutive quarter of double-digit growth. In addition, the General Fund has increased in 18 of the last 19 quarters. Second quarter collections increased $394.2 million over the same quarter in FY21. The gain was broadly-based as seven of the eight major categories had increases. However, the bulk of those gains came from the two largest taxes, individual income and sales and use. Together, they accounted for 78.2 percent of the increase, or $308.4 million. The remaining revenue sources contributed $85.9 million.

Total Road Fund revenue growth has retreated from the high annual growth rate of 10.1 percent in FY21, growing 2.8 percent during the second quarter of FY22 after increasing 3.5 percent in the first quarter. Year-to-date growth for the fund stands at 3.2 percent. Second quarter collections were characterized by growth in the tax accounts which offset a decline in the nontax items. Total receipts received in the second quarter were $391.3 million, which exceeded last year’s second quarter total by $10.7 million. Motor vehicle usage and motor fuels tax receipts accounted for nearly all the quarterly gains, increasing $11.9 million compared to the same quarter of FY21. The remaining accounts collectively fell by $1.1 million with income on investments having the worst showing, declining by $1.6 million.

Summary of the Economy from the Second Quarter of FY22

Real GDP rose by 4.8 percent in the second quarter of FY22. On an adjacent-quarter basis, this is the sixth consecutive quarter of positive real GDP growth following the 2020 recession. Real consumption was the largest contributor to that growth. Real consumption grew 7.3 percent in the second quarter of FY22. Inflation was high for the second consecutive quarter, at 5.8 percent in the second quarter of FY22. Energy inflation was the highest inflation component rising 27.6 percent in the second quarter. US non-farm employment rose by 4.3 percent in the second quarter. US personal income grew by 5.2 percent in the second quarter of FY22. However, on an adjacent-quarter basis, US personal income fell by 0.3 percent in the second quarter due to decreased transfer payment income in the second quarter.

Kentucky non-farm employment rose by 3.5 percent in the second quarter of FY22. On an adjacent-quarter basis, this is the sixth consecutive quarter of growth for Kentucky non-farm employment. Just like at the national level, the second quarter employment growth was due to high growth in leisure and hospitality services employment in the second quarter.

Kentucky personal income grew by 3.9 percent in the second quarter of FY22. On an adjacent-quarter basis, Kentucky personal income declined by 0.9 percent in the second quarter of FY22 compared to the first quarter of FY22. Just like at the national level, transfer payments income has had an overwhelming influence on total personal income in Kentucky. Transfer payments' effects have swamped the other components' effects over the last eight quarters

REVENUE & ECONOMIC OUTLOOK

GENERAL FUND

The interim outlook presented below represents the official estimates prepared pursuant to KRS 48.120 (3), the statute governing the official budget estimates. At a meeting held on December 17, 2021, the CFG agreed upon the official estimates that will be used in this revenue outlook. The December CFG estimates include General Fund and Road Fund forecasts for FY22-FY24. Since KRS 48.400(2) requires a three-quarter outlook, the forecasting horizon used in this quarterly report is the remainder of FY22 and the first quarter of FY23.

During the December 17 meeting, the CFG considered three different economic scenarios: a pessimistic forecast, a control or baseline forecast, and an optimistic scenario. A consensus was reached among the members that a blend of the control and optimistic forecasts represented the most likely outcome for the national and state economies, and for the corresponding revenue forecasts. Forecasted revenues presented in Table 1 were projected using an equal blending of the November 2021 “control” and “optimistic” economic forecasts from both IHS Markit and the Kentucky MAK model providing the primary inputs as directed by the CFG.

General Fund revenue collections for the second quarter of FY22 registered a third consecutive quarterly increase of more than 10 percent. To recap these double-digit quarters, receipts in the final quarter of FY21 were positively impacted by a low base of comparison from the fourth quarter of FY20 that contained the lowest point of the economic downturn. Receipts in first quarter of the current fiscal year were boosted by a legal settlement. Collections during the first quarter grew 20.0 percent and were amplified by a $225 million one-time legal settlement with Flutter Entertainment, the parent company of PokerStars. Excluding the settlement, first-quarter revenues were still strong, growing 12.1 percent. The second quarter of FY22 was not aided by any extraneous occurrences, while each month of the quarter grew by 10.4 percent or greater. Notwithstanding the caveats to the earlier growth, the General Fund enters the forecasting horizon with considerable momentum.

Following the December CFG meeting, the current official estimate for FY22 is now $13,791.9 million, an estimate that exceeds the enacted projection of $11,849.8 million by $1,942.1 million. Projected General Fund revenues for the forecasting horizon are displayed in Table 1. The official outlook calls for FY22 General Fund revenues to grow by 7.5 percent compared to FY21.

Table 1
General Fund Interim Forecast
$ millions

	FY22						FY22		FY23	
	Q1 & Q2		Q3 & Q4		Full Year		Official CFG		Q1	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Individual Income	2,542.1	8.7	2,882.6	2.7	5,424.7	5.5	5,424.7	0.0	1,249.4	-1.0
Sales & Use	2,504.0	13.3	2,446.7	4.1	4,950.7	8.5	4,950.7	0.0	1,312.9	6.0
Corp. Inc. & LLET	577.9	44.9	392.5	-18.9	970.5	9.9	970.5	0.0	214.2	-26.3
Property	478.4	6.7	235.6	-7.2	714.0	1.6	714.0	0.0	28.8	-54.3
Lottery	153.3	11.8	166.0	9.2	319.3	10.4	319.3	0.0	72.0	3.6
Cigarettes	165.9	-8.2	168.7	-0.2	334.7	-4.4	334.7	0.0	82.3	-2.0
Coal Severance	30.3	5.2	33.8	23.9	64.1	14.3	64.1	0.0	13.8	7.7
Other	580.8	78.6	433.2	-16.2	1,014.0	20.4	1,014.0	0.0	179.0	-55.7
General Fund	**7,032.8**	**15.9**	**6,759.1**	**0.0**	**13,791.9**	**7.5**	**13,791.9**	**0.0**	**3,152.5**	**-8.0**

Individual income tax receipts grew 8.7 percent in the first half of FY22. The withholding component of the tax reported growth of 7.7 percent in the first half of FY22 compared to the first two quarters of FY21. Total withholding is expected to expand by 8.9 percent during FY22, implying higher growth in the second half of the fiscal year. However, the individual income tax growth rate for FY22 is projected to be 5.5 percent with growth of 2.7 percent during the second half of FY22. Estimated payments and net returns (pay returns plus refunds) are expected to compare unfavorably to FY21 during the remaining two quarters of FY22, thereby offsetting part of the growth in withholding.

Sales and use tax collections during the first two quarters of FY22 were strong as well, posting an increase of 13.3 percent. Revenues from the sales and use account are forecasted to grow 4.1 percent during the second half of FY22 and end the year with a cumulative growth rate of 8.5 percent. While 4.1 percent is a noticeably slower pace than the 13.3 percent recorded in the first half of FY22, the comparison quarters in FY21 account for the easing of growth. During the third quarter of FY21, sales and use taxes grew 5.8 percent, and the forecast calls for modest growth in the third quarter of FY22. However, the fourth quarter of FY21 grew by a remarkable 31.4 percent with collections of $1,293.0 million, the highest quarter on record for the sales tax. The model predicts no growth in the fourth quarter, thus accounting for the relatively muted growth in the sales tax for the remainder of FY22.

Coming off a very strong revenue performance in FY21, the combined business taxes, corporation income and limited liability entity tax (LLET), have begun an encore performance in the first half of FY22 with growth of 44.9 percent. The outlook predicts a slowdown in the second half, however, with receipts expected to decline by 18.9 percent. Like the sales tax, the FY21 growth in the third and fourth quarters is formidable. Combined business taxes grew 146.6 percent in the third quarter of FY21 followed by 51.6 percent in the fourth quarter. Despite the projected second-half drop in the combined business taxes, FY22 is still projected to exceed FY21 totals by 9.9 percent.

Total property tax receipts had a breakout year in FY21, posting annual growth of 9.2 percent, after falling in FY20 due primarily to a weak recession-driven fourth quarter. The two largest categories of property taxes, real and tangible property, expanded by 4.4 and 15.9 percent in FY21, respectively. Although property taxes grew 6.7 percent in the first half of FY22, aggregate property taxes are expected to decline in the final two quarters at a combined rate of 7.2 percent. In total, property taxes are expected to grow 1.6 percent in FY22.

Lottery dividend payments are expected to end the fiscal year at $319.3 million. To achieve that level, lottery receipts must collectively equal $166.0 million in the last six months of the fiscal year. According to recent financial information from the Kentucky Lottery Corporation, ticket sales are expected to continue to gravitate toward products that return a higher prize percentage, like iLottery instant play games, Keno, and higher value scratch tickets. The forecast released by the Kentucky Lottery projects that the market share for draw games will decline slightly in FY22, with iLottery instant play games growing from a 7.5 percent market share in FY21 to slightly over 11.6 percent through November 2021 in FY22.

Cigarette taxes were one of two major accounts to decline in FY21, falling $5.0 million, or 1.4 percent. Other tobacco products grew by $19.0 million in FY21 with the new vaping tax bringing in $17.6 million. Cigarette taxes fell 8.2 percent in the first half of FY22, with a continued downward drift of 0.2 percent expected in the remaining two quarters of FY22. The cigarette taxes are forecasted to end the year with a cumulative decline of 4.4 percent for FY22.

Coal severance tax receipts rose by 5.2 percent in the first two quarters of FY22 with collections of $30.3 million. The outlook for the forecasting horizon in FY22 calls for a brisker pace of growth, specifically 23.9 percent, compared to the second half of the prior fiscal year. Final FY22 growth is expected to be 14.3 percent. Following a sharp FY20 decline in coal severance tax receipts, collections grew by 29.2 percent in the fourth quarter of FY21 and this recent momentum is expected to continue throughout the rest of FY22 and into the first quarter of FY23.

The “other” category contains 59 smaller accounts which make up the remainder of the General Fund. Insurance premiums tax, alcohol taxes, telecommunication taxes, inheritance taxes, and abandoned property receipts are the five largest ongoing accounts in the “other” category forecast. The bank franchise tax has traditionally made the list of the largest other taxes, but the FY22 receipts are expected to fall to nearly zero since the tax was repealed effective January 1, 2021. The “other” accounts totaled $842.2 million in FY21. Each account was re-examined for the CFG process and the resulting forecast for FY22 sums to $1,014.0 million, an increase of 20.4 percent over FY21. The “other” tax receipts were buoyed in the first quarter by a $225 million one-time legal settlement with Flutter Entertainment, the parent company of PokerStars. Since this settlement was posted to the General Fund in other miscellaneous taxes, first quarter receipts in the “other” category were $404.0 million, nearly 150 percent more than the first quarter of FY21. Receipts are projected to decline 16.2 percent during the remainder of the fiscal year largely due to the repeal of the bank franchise tax, and partially offset by an increase in receipts from the sale of abandoned property.

ROAD FUND

The Road Fund estimates in this second quarter report envision a slowing of revenue growth over the next six months and remaining tepid through the first quarter of FY23. This is not surprising given the revenue situation in FY21. Last year revenue growth was exceedingly weak through the first three quarters before skyrocketing in the final quarter. Year-to-date collections at the end of the third quarter stood at only 0.8 percent but then grew 43.8 percent in the final quarter of FY21. That has created a situation in which revenues can increase at a healthy pace this year for quarters one through three but will make revenue growth over the final three months extremely difficult.

Road Fund revenues grew 3.2 percent through the first two quarters of the fiscal year as growth in the two largest accounts helped offset declines in some smaller accounts. Motor fuels and motor vehicle usage collections were $27.3 million more in the first half of FY22 than the same period last year while the remaining accounts declined by $2.1 million during that time.

Motor fuels tax collections grew at 4.8 percent in the first half of the year and are forecasted to improve slightly over the next six months due to an increase in fuels consumption. Collections are expected to remain strong into FY23 due to an increase in the variable tax rate. Growth rates for this account are expected to be 5.9 percent over the rest of the current fiscal year and 5.2 percent in the first quarter of FY23.

Motor vehicle usage tax collections grew 3.1 percent in the first half of FY22, but the forecast calls for a decline in revenues over the next three quarters. Collections are expected to decline in the fourth quarter because of massive collection totals in the final quarter of FY21. Revenues in the final three months last year increased by more than 80 percent to $180.4 million, which exceeded any quarterly total on record by more than $16 million. Growth rates for the final six months of the current year and the first quarter of FY23 are forecasted to be -3.2 percent and -3.3 percent, respectively.

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 decline 4.6 percent in the final two quarters of FY22 before growing 3.9 percent in the first quarter of FY23. Motor vehicle operators' license revenues are projected to rise 15.9 percent for the remainder of the fiscal year and increase 6.1 percent in the first quarter of FY23.

Investment income is expected to be $400,000 over the remainder of the fiscal year due to smaller cash balances available for investment as well as increasing interest rates which will adversely affect the market value of the portfolio. All other revenues are expected to decline 7.1 percent during the last six months of the year and then increase 5.4 percent in the first quarter of FY23.

Table 2
Road Fund Interim Forecast
$ millions

	FY22						FY22		FY23	
	Q1 & Q2		Q3 & Q4		Full Year		Official CFG		Q1	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Motor Fuels	395.9	4.8	392.4	5.9	788.3	5.3	788.3	0.0	211.9	5.2
Motor Vehicle Usage	307.0	3.1	312.7	-3.2	619.7	-0.2	619.7	0.0	158.6	-3.3
Motor Vehicle License	39.5	-11.6	77.1	-4.6	116.6	-7.1	116.6	0.0	20.5	3.9
Motor Vehicle Operators	11.8	18.1	14.0	15.8	25.8	16.8	25.8	0.0	7.8	6.1
Weight Distance	43.9	8.2	46.6	9.2	90.5	8.7	90.5	0.0	22.9	5.2
Income on Investments	-1.4	-611.2	0.4	-208.1	-1.0	747.4	-1.0	0.0	-0.2	-278.3
Other	18.6	-2.0	21.8	-7.1	40.4	-4.8	40.4	0.0	9.9	5.4
Road Fund	**815.2**	**3.2**	**864.9**	**1.5**	**1,680.1**	**2.3**	**1,680.1**	**0.0**	**431.4**	**1.8**

NATIONAL OUTLOOK

The forecast used in this quarterly report for the national economic outlook is an equal blend of the control and optimistic scenarios from the November 2021 IHS Markit data -- the same blended forecast that was selected by the CFG during the December 17, 2021, meeting as the most likely outcome.

In the blended forecast, real GDP is expected to grow 5.0 percent in the second half of FY22 followed by 5.5 percent growth in the first quarter of FY23. All the components of real GDP are expected to rise during the forecasting horizon. The growth in real GDP is led by much stronger growth in real investment, continued strong growth in real consumption, and significant growth in real exports. Inflation is expected to exceed the informal target set by the Fed, with growth in the CPI for all goods averaging 5.0 percent in FY22. Among other broad US aggregate statistics, the unemployment rate is projected to decline to an average of 4.3 percent for FY22 with further improvement to 3.5 percent in the first quarter of FY23.

Among the various components of real GDP, real investment is poised to grow the fastest in percentage terms, rising $377.6 billion or 10.7 percent over during the remainder of FY22. The current expected growth in real investment is primarily tied to equipment spending and intellectual property products rather than commercial structures and buildings. Accommodative monetary policy and the ongoing easing of bank lending practices have paved the way for higher investment spending. Business investment is further encouraged by the growth in consumer spending and the future expectations for consumer spending. When businesses believe current and future demand for their goods and services is high, they tend to engage in more investments to ensure the ability to accommodate the demand for their products. Real investment in productive capacity is also a means by which business can ward off supply chain disruptions by vertically integrating some of their operations.

Real consumption is expected to rise the most in absolute terms, gaining $641.9 billion in the third and fourth quarters of FY22. That absolute gain in real consumption corresponds to 4.8 percent growth in the second half of FY22 and 6.0 percent for FY22 in its entirety. Growth in real consumption has been a key tenant of the recovery from the most recent recession. Aggressive fiscal stimulus occurred in the early stages of the recovery, but wage and salary growth is expected to carry the baton now that the federal fiscal stimulus has ended. Growth in real consumption is expected to slow to 4.0 percent in the first quarter of FY23. Real consumption has been slowed somewhat by supply chain bottlenecks and high prices for many goods. Until these factors are resolved, they may continue to disrupt retail trade in certain consumer markets, like the automotive sector.

Modest growth is anticipated for real exports, rising 3.8 percent in the second half of FY22, slightly behind the 5.5 percent growth in real imports over the same time period. The slowest rate of growth in the second half of FY22 is in real government expenditures, which are expected to grow by 1.5 percent compared to the same period in FY21.

Inflationary pressures, measured by the percent change in the CPI for all goods, are expected to be spurred on by a 6.6 percent increase in the CPI for energy and a 4.6 percent hike in the CPI for food for the remainder of FY22. Several factors are at play that partially explain the rise in the price indices. On the supply side, increases in the costs of transporting goods, as well as rising labor costs and other factors, have both contributed to the upward pressure on price levels. Firms have pricing power in the current and projected economy that allows them to pass higher costs on to the consumers in the form of higher prices. On the demand side, increases in the money supply have led consumers to bid up the prices of relatively scarce goods and services, further adding to inflation. While inflation was not truly “transitory”, improvement is expected in the national outlook. The percentage growth in the CPI for all goods is expected to fall to 2.7 percent in the first quarter of FY23.

Recent trends in US personal income have been heavily influenced by transfer receipts. This pattern is expected to persist into the forecasting horizon. In the second half of FY22, personal income is projected to decline by 1.3 percent – despite expected growth in US wages and salaries of 8.8 percent during the same time period. This apparent anomaly is explained by the projected 27.6 percent decline in transfer receipts. The anticipated increase in wages and salaries is really a function of two factors. The US non-farm employment is projected to increase by 4.8 percent over the next six months, so more jobs lead to higher wages and salaries. The wage rate is the other factor. Employers have expressed difficulty in finding and retaining a quality workforce, both of which serve to bid up the wage rate. Availability of labor, supply chain disruptions, and cost pressures continue to hold businesses below their potential levels of production.

As aforementioned, US non-farm employment is expected to increase by 4.8 percent in the second half of FY22. Service-providing labor is forecasted to increase 5.6 percent while goods-producing employment rises 2.2 percent. This disparity is not surprising since the most recent recession impacted service-providing business entities to a greater extent than goods producers. An additional 5.7 million jobs are projected to be added to non-farm employment from the service-providing occupations. Leisure and hospitality employment leads the surge in percentage terms with a 13.2 percent increase. In absolute terms, trade, transportation, and utilities (TTU) occupations are projected to add 800,000 jobs in the remainder of FY22. Both TTU and leisure and hospitality occupations were greatly impacted by the recession and underlying health pandemic but are finally rebounding with sizeable projected job increases.

Taken in totality, the national economic outlook is very positive. All five sectors of real GDP are expected to grow throughout the forecasting horizon. Employment and wages are expected to grow above long-term trend levels, and consumer and investment demand remains strong.

Table 3
US Economic Outlook
50% CONTROL / 50% OPTIMISTIC

	Q3 & Q4			Full Year		Q1	
	FY22	**FY21**	**% chg**	**FY22**	**% chg**	**FY23**	**% chg**
Real GDP	20,174.4	19,212.0	5.0	19,894.5	5.0	20,527.3	5.5
Real Consumption	14,116.0	13,474.1	4.8	13,968.9	6.0	14,272.9	4.0
Real Investment	3,901.2	3,523.7	10.7	3,779.8	8.1	4,059.6	12.6
Real Govt. Expenditures	3,433.2	3,382.3	1.5	3,406.9	1.1	3,462.8	2.4
Real Exports	2,369.8	2,283.3	3.8	2,333.5	3.6	2,462.1	7.5
Real Imports	3,712.1	3,518.6	5.5	3,662.7	7.4	3,795.2	5.4
CPI all goods (% chg)	4.5	3.3	NA	5.0	NA	2.7	NA
CPI Food (% chg)	4.6	3.0	NA	4.4	NA	2.7	NA
CPI Energy (% chg)	6.6	14.7	NA	15.8	NA	-1.3	NA
CPI Core (% chg)	4.1	2.6	NA	4.1	NA	2.8	NA
Industrial Production Index (% chg)	5.0	6.5	NA	5.0	NA	5.3	NA
Unemployment Rate (%)	3.9	6.1	NA	4.3	NA	3.5	NA
Housing Starts ($ millions, NSA)	1.5	1.6	-6.6	1.5	-1.9	1.4	-8.7

Table 4
US Labor and Income Outlook
50% CONTROL / 50% OPTIMISTIC

	Q3 & Q4			Full Year		Q1	
	FY22	**FY21**	**% chg**	**FY22**	**% chg**	**FY23**	**% chg**
Non-farm Employment (millions, NSA)	151.2	144.2	4.8	149.7	4.7	153.1	3.8
Goods-producing	20.7	20.3	2.2	20.7	2.6	20.7	0.8
Construction	7.5	7.4	1.2	7.5	1.8	7.6	1.6
Mining	0.7	0.6	9.8	0.7	9.6	0.7	6.8
Manufacturing	12.6	12.3	2.4	12.5	2.7	12.4	0.0
Service-providing	108.0	102.3	5.6	106.8	5.5	109.7	4.6
Trade, Transportation & Utilities	27.9	27.2	2.9	27.8	3.2	27.8	1.2
Information	2.8	2.7	4.1	2.8	4.9	2.8	0.6
Finance	9.1	8.8	3.3	9.0	2.6	9.3	5.4
Business Services	22.3	20.8	7.3	21.7	6.3	23.1	9.8
Educational Services	24.3	23.4	3.8	24.0	3.3	24.6	4.1
Leisure and Hospitality Services	15.8	13.9	13.2	15.6	14.8	16.0	4.5
Other Services	5.8	5.6	5.2	5.8	5.5	6.1	5.9
Government	22.4	21.6	3.8	22.2	2.8	22.7	2.8
Personal Income ($ billions, AR)	20,936.5	21,221.2	-1.3	20,774.1	1.6	21,440.5	4.0
Wages and Salaries	10,859.1	9,979.2	8.8	10,642.7	8.7	11,163.1	8.2
Transfer Receipts	3,732.6	5,155.8	-27.6	3,855.6	-16.2	3,765.5	-8.3
Dividends, Interest, and Rents	3,790.2	3,632.1	4.4	3,746.1	3.7	3,856.6	4.8
Supplements to Wages and Salaries	2,347.2	2,219.4	5.8	2,309.6	5.6	2,408.5	6.7
Proprietors' Income	1,874.1	1,781.1	5.2	1,854.2	5.2	1,950.7	5.4
Social Insurance	1,666.8	1,546.3	7.8	1,634.2	8.0	1,703.9	7.2
Residence Adjustment	0.0	0.0	NA	0.0	NA	0.0	NA

KENTUCKY OUTLOOK

The Commonwealth's economic outlook reveals a weak trajectory for personal income in the second half of FY22, contracting 4.2 percent compared to the third and fourth quarters of FY21. Positive growth of 0.1 percent is expected for the entirety of FY22. The slim increase in personal income growth for FY22 is a direct result of decreasing transfer payments through COVID relief being slightly outpaced by improvement in the other components of Kentucky personal income. Kentuckians' personal income is expected to improve entering the first quarter of FY23, growing 2.5 percent compared to the same period one year prior. Average year-over-year growth in personal income has been 4.0 percent since FY03.

The Kentucky MAK model primarily feeds off changes in the national outlook for the components of personal income and non-farm employment. The forecast for Kentucky wages and salaries, which feeds into the withholding and sales tax revenue models, is the highest three-year growth period since 2000. This strong pattern of growth in wages and salaries offset some of the loss of the federal fiscal stimulus payments received in the second half of FY21.

Wages and salaries, the largest component of personal income, is poised to increase 7.7 percent in the final two quarters of FY22 compared to the same periods one year prior. Full year FY22 wages and salaries growth is expected to increase by a robust 7.9 percent. Looking ahead to the first quarter of FY23, wages and salaries growth is expected to increase 7.4 percent over the first quarter of FY22. The projected growth in Kentucky wages and salaries substantially outpaces the average year-over-year growth, which has been 3.2 percent since FY03.

The forecast for Kentucky wage and salary growth is significantly higher due to influence of expected wage and employment growth. Competition to recruit and retain a quality workforce amid a labor shortage has proven fierce not only at the national level, but at the state level as well. Initially the greatest pressure was felt in those sectors hit the hardest early in the pandemic such as retail, information, and leisure and hospitality industries. Since then, wage inflation has expanded beyond these concentrated recovery sectors into the greater economy as a whole due to tight labor market conditions across most occupations.

Transfer receipts are the second largest component of Kentucky personal income. The declines in Kentucky personal income have been primarily caused by the losses in Kentucky transfer payments income. Transfer receipts represent 26 percent or $56.8 billion of personal income in FY22, down 8.0 percent from just one year prior. Transfer receipts are expected to decrease 13.9 percent for the full year of FY22 and 26 percent for the final two quarters of the fiscal year. A decline in transfer receipts is expected to persist entering FY23, falling 7.0 percent compared to the first quarter in FY22.

Kentucky non-farm employment is projected to increase by 4.6 percent in the third and fourth quarters of FY22. State-level employment gains are expected to slightly lag the corresponding national average for the remaining quarters of the fiscal year. In percentage and absolute terms, the service-producing sector is positioned to experience the most pronounced employment expansion expected to increase 5.3 percent for the remainder of the fiscal year. That is an increase of 66,000 jobs (annual rate). Strong growth in the service-providing sector is anticipated in the first quarter of FY23 as well, rising 6.0 percent. Increasing economic activity is igniting a rebound in sectors hardest hit during the recession and fueling job gains. Business services employment will add more jobs than any other industry over the next nine months. All eleven supersectors are expected to experience varying degrees of employment gains over the outlook period.

As the omicron variant continues to create new economic headwinds, virus disturbances will likely weigh on job gains and sustained economic recovery in the coming months. OSBD will continue to monitor the economic conditions closely but the current economic forecasts assume that public health impacts will have minimal effect on the overall state of the Commonwealth. Kentucky's economy is on solid ground. The increase in jobs subsequently increases wages and salaries, underpinning future personal income growth.

Table 5
KY Labor and Income Outlook
50% CONTROL / 50% OPTIMISTIC

	Q3 & Q4			Full Year		Q1	
	FY22	FY21	% chg	FY22	% chg	FY23	% chg
Non-farm Employment (thousands, NSA	1,945.8	1,859.8	4.6	1,920.8	3.8	1,969.9	5.1
Goods-producing	339.0	328.8	3.1	337.4	3.5	342.9	1.9
Construction	80.0	79.4	0.8	80.3	2.3	80.7	-0.6
Mining	7.7	7.3	6.4	7.6	3.7	7.6	9.0
Manufacturing	251.2	242.1	3.8	249.6	3.8	254.6	2.5
Service-providing	1,303.0	1,237.0	5.3	1,283.7	4.4	1,320.2	6.0
Trade, Transportation & Utilities	411.5	404.3	1.8	410.3	2.1	409.5	0.5
Information	20.1	20.0	0.6	20.1	0.4	20.1	1.2
Finance	98.4	95.2	3.3	97.2	3.3	100.8	5.6
Business Services	229.3	211.0	8.7	221.4	5.6	238.5	15.0
Educational Services	286.7	276.4	3.7	283.7	3.0	290.6	4.1
Leisure and Hospitality Services	192.7	168.2	14.6	187.2	12.1	194.4	12.5
Other Services	64.3	61.9	3.8	63.9	3.8	66.4	4.7
Government	303.9	294.0	3.4	299.7	1.9	306.7	5.3
Personal Income ($ billions, AR)	221.3	230.9	-4.2	220.5	0.1	226.0	2.5
Wages and Salaries	110.7	102.8	7.7	108.7	7.9	113.6	7.4
Transfer Receipts	55.3	74.7	-26.0	56.8	-13.9	56.1	-7.0
Dividends, Interest, and Rents	34.1	32.8	4.0	33.7	3.2	34.7	3.9
Supplements to Wages and Salaries	27.4	25.5	7.7	27.0	6.3	28.1	6.4
Proprietors' Income	14.3	14.2	0.7	14.3	-0.3	14.6	1.7
Social Insurance	19.3	19.0	1.8	18.9	7.7	19.3	6.6
Residence Adjustment	-1.3	0.0	NA	-1.3	NA	-1.9	NA

REVENUE RECEIPTS

GENERAL FUND
Second Quarter FY22

General Fund receipts grew at a robust 12.3 percent in the second quarter of FY22 and year-to-date growth is 15.9 percent. The just completed three-month period was the third consecutive quarter of double-digit growth. The General Fund has increased in 18 of the last 19 quarters. Collections in the second quarter of FY22 totaled $3,607.9 million compared to $3,213.7 million in the second quarter of FY21. The official General Fund revenue estimate, revised in December 2021, calls for revenue to grow 7.5 percent compared to FY21 receipts. General Fund revenues can remain flat for the remainder of the fiscal year and still meet the official estimate.

Second quarter collections increased $394.2 million over FY21 totals. The gain was broadly-based as seven of the eight major categories experienced gains. However, the bulk of those gains came from the two largest taxes, sales and use and individual income. Together, they accounted for more than 78 percent of the increase, or $308.4 million. The remaining revenue sources contributed $85.9 million. Collections for the major revenue categories are shown in Table 6. Detailed information on all tax accounts can be found in the Appendix.

Individual income tax receipts were $1,279.8 million in the second quarter of FY22, an increase of 11.0 percent, or $126.6 million. This compares to $1,153.2 million that was received in the second quarter of FY21. Withholding made up the largest share of the gains in the individual income tax growing $111.7 million, or 10.1 percent, in the second quarter. The remaining accounts rose $14.9 million with net payments on returns increasing $13.7 million, fiduciary growing $1.4 million and declarations ending up essentially flat.

Table 6
Summary General Fund Receipts
$ millions

	FY22 Q2	FY21 Q2	Diff $	Diff %
Individual Income	1,279.8	1,153.2	126.6	11.0
Sales & Use	1,265.4	1,083.7	181.8	16.8
Corp. Inc. & LLET	287.3	233.8	53.5	22.9
Property	415.4	394.4	21.0	5.3
Lottery	83.8	76.6	7.2	9.4
Cigarettes	81.9	92.9	-11.0	-11.8
Coal Severance	17.4	16.7	0.8	4.6
Other	176.8	162.5	14.3	8.8
Total	**3,607.9**	**3,213.7**	**394.2**	**12.3**

Sales and use receipts continue to be strong following the 5.9 percent decline in the final quarter of FY20. Sales and use tax receipts grew 16.8 percent in the second quarter, a $181.8 million increase over the same quarter in FY21. Growth in the first quarter of FY22 was 9.9 percent and year-to-date revenues have grown 13.3 percent.

Corporate and LLET receipts increased 22.9 percent, or $53.5 million, in the second quarter as strong growth in the corporation income tax has offset a decline in the LLET. Year-to-date corporate and LLET collections have increased 44.9 percent over prior year totals.

Property tax receipts rose by 5.3 percent or $21.0 million in the second quarter. Real property accounted for $17.3 million of the $21.0 million increase in the quarter. Growth in real and public service collections offset declines in the remaining accounts. 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 have grown 6.7 percent over the same period in FY21.

Cigarette receipts fell 11.8 percent, or $11.0 million over the second quarter in FY21. Year-to-date collections in this account have decreased 8.2 percent.

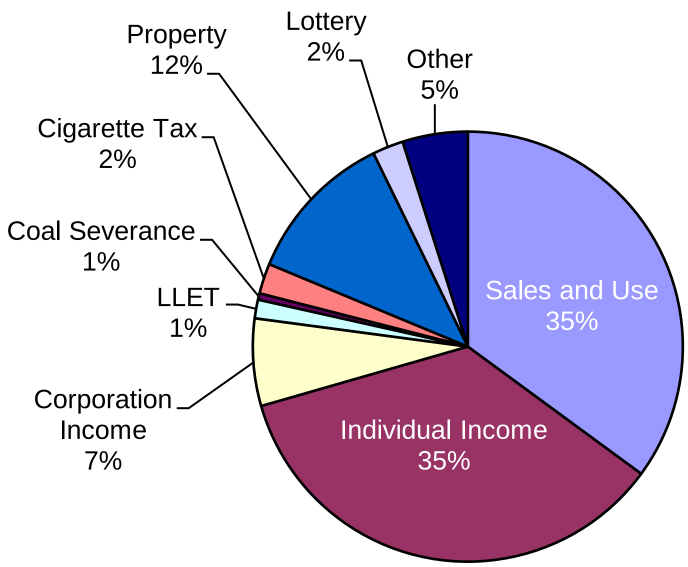
Coal severance receipts grew for the third consecutive quarter; however, the rate of growth has declined in each of the quarters. Collections increased 4.6 percent, or $0.8 million to $17.4 million in the second quarter of FY22. This compares to $16.7 million in the second quarter compared to last year. Year-to-date collections have increased 5.2 percent.

Lottery receipts rose 9.4 percent to $83.8 million in the second quarter. Year-to-date collections in this account have grown 11.8 percent.

The "other" category, which is composed of numerous smaller accounts, increased 8.8 percent in the second quarter. Quarterly receipts were $176.8 million. This is $14.3 million more than was received in the same quarter of FY21. Through the first six months of the fiscal year, revenues in this account have grown $255.6 million. However, $225.0 million of the increase is the result of a one-time payment from the settlement of a legal matter.

Figure 1 shows the composition of General Fund revenues by tax type for the second quarter of FY22. Individual income tax and sales and use tax together make up 70 percent of General Fund tax receipts. The next largest sources of revenue were the property taxes, which made up 12 percent of total receipts. Corporate and LLET combined, account for eight percent of receipts while the "other" category makes up five percent of receipts. Cigarette taxes account for two percent, lottery contributes two percent and coal accounts for one percent.

Figure 1
Composition of Second Quarter FY22
General Fund Revenues



ROAD FUND
Second Quarter FY22

Total Road Fund receipts grew 2.8 percent during the second quarter of FY22 leaving the year-to-date growth at 3.2 percent. This was the third consecutive quarter in which receipts rose; however, the rate of increase has declined each quarter. Fiscal year 2021 ended strong with growth of 43.8 percent, which was inflated due to a very weak quarter in the prior year. Fiscal year 2022 has seen moderate growth with rates of 3.5 and 2.8 percent, respectively. Second quarter collections were characterized by growth in the tax accounts which offset a decline in the nontax items.

Total receipts received in the second quarter were $391.3 million, which exceeded last year's second quarter total by $10.7 million. Motor vehicle usage and motor fuels tax receipts accounted for nearly all the quarterly gains, increasing $11.9 million compared to FY21 totals. The remaining accounts collectively fell by $1.1 million with income on investments having the worst showing declining by $1.7 million. The other accounts were relatively unchanged posting differences between a $500,000 decline and an $800,000 increase.

The official Road Fund revenue estimate was revised in December 2021 and calls for a 2.3 percent increase in revenues for the year. Based on year-to-date collections, revenues must grow 1.5 percent for the remainder of the year to meet the estimate. Summary data are contained in Table 7 and detailed data are shown in the Appendix.

Motor fuels tax receipts rose 4.7 percent, or $8.7 million, during the second quarter due to strong December collections. Receipts for the quarter were $194.4 million as compared to $185.7 million collected during the second quarter last year. Year-to-date collections have increased 4.8 percent.

Motor vehicle usage tax receipts have slowed after strong growth in FY21, where annual growth was over 24 percent and the weakest quarter increased 8.3 percent. Receipts for the two quarters in the current year have grown 3.8 and 2.3 percent, respectively. For the quarter, revenues were $143.0 million. Revenues in this account have now increased 3.1 percent through the first six months of FY22.

Motor vehicle license tax receipts rose $0.8 million in the second quarter after falling $5.9 million in the first quarter. Collections for the quarter were $19.8 million. Year-to-date revenues in this account have fallen 11.6 percent.

Motor vehicle operators' tax receipts were $4.4 million in the second quarter of FY22, a $200,000 decrease compared to collections a year ago. Year-to-date collections have grown 18.1 percent.

Weight distance tax receipts were $22.1 million in the second quarter and represent a 2.3 percent increase compared to receipts collected during the second quarter of FY21. 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. Through the first six months of FY22, receipts have grown 8.2 percent.

Table 7
Summary Road Fund Receipts
$ millions

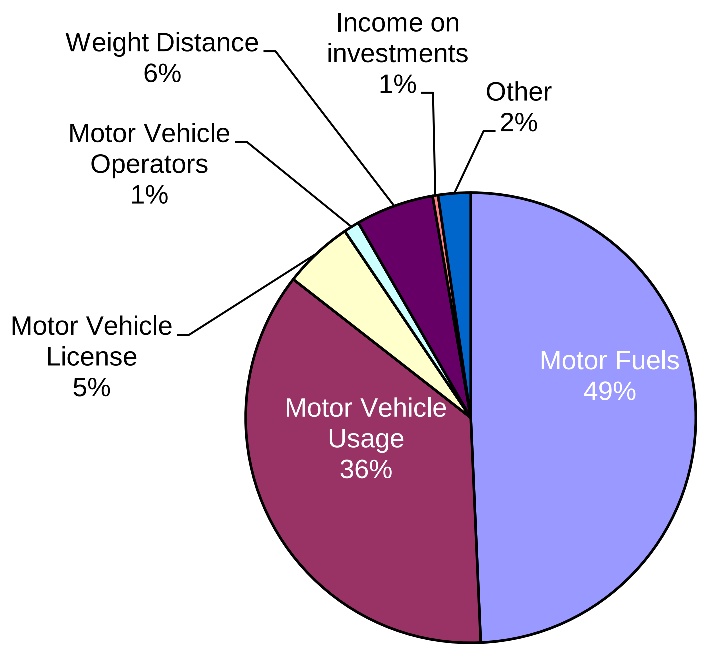
	FY22 Q2	FY21 Q2	Diff $	Diff %
Motor Fuels	194.4	185.7	8.7	4.7
Motor Vehicle Usage	143.0	139.8	3.2	2.3
Motor Vehicle License	19.8	19.0	0.8	4.0
Motor Vehicle Operators	4.4	4.7	-0.2	-4.5
Weight Distance	22.1	21.6	0.5	2.3
Income on Investments	-1.5	0.1	-1.7	NA
Other	9.2	9.7	-0.5	-5.4
Total	**391.3**	**380.6**	**10.7**	**2.8**

Income on investments fell $1.7 million to -$1.5 million in the second quarter as low cash balances and rising interest rates have had an adverse impact of the valuation of the investment funds.

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 $9.2 million, a $0.5 million decrease from FY21 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 weight distance taxes with six percent and motor vehicle license at five percent. The "other" category accounted for two percent, while motor vehicle operators and income on investments comprised one percent each.

Figure 2
Composition of Second Quarter FY22
Road Fund Revenues



THE ECONOMY
SECOND QUARTER FY22

NATIONAL ECONOMY

Real gross domestic product (real GDP) grew by 4.8 percent in the second quarter of FY22 compared to the second quarter of FY21. On an adjacent-quarter basis, this is the sixth consecutive quarter of growth following the end of the two-quarter recession. The last eight quarters of adjacent-quarter growth are -1.3, -8.9, 7.5, 1.1, 1.5, 1.6, 0.5, and 1.1 percent, respectively. Real GDP surpassed its previous peak in the fourth quarter of FY21. Real GDP in the second quarter of FY22 is $474.6 billion, or 2.5 percent above its previous peak.

Real consumption grew 7.3 percent in the second quarter of FY22 compared to the second quarter of FY21. On an adjacent-quarter basis, this is the sixth consecutive quarter of growth following two consecutive losses. The last eight quarters of adjacent-quarter growth are -1.8, -9.7, 9.1, 0.8, 2.7, 2.9, 0.4, and 1.1 percent, respectively. Real consumption made up 70.5 percent of real GDP in the second quarter of FY22.

Real investment rose by 3.0 percent in the second quarter of FY22 compared to the second quarter of FY21. Real investment has followed an acyclic pattern over the last several quarters. The last 11 adjacent-quarter growth rates are 0.6, 0.3, -1.7, -1.4, -15.4, 16.2, 5.7, -0.6, -1.0, 2.8, and 1.8 percent, respectively. The 2020 recession occurred in the third and fourth quarters of FY20. Adjacent-quarter real investment growth was -1.4 percent and -15.4 percent during those two recession quarters. Large changes in employment, government transfers, and inflation played a large role in the quarter to quarter changes in real investment following the end of the recession. Real investment made up 18.6 percent of real GDP in the second quarter of FY22.

Real government expenditures rose by 0.7 percent in the second quarter of FY22 compared to the second quarter of FY21. Government expenditures used to be countercyclical for the history of the United States, with very few periods that were exceptions. However, since the 2001 recession, government expenditures have been acyclical, a monotonic increasing function, rising both during recessions and during expansions. The last 10 adjacent-quarter growth rates for real government expenditures are 0.5, 0.7, 0.9, 1.0, -0.5, -0.1, 1.0, -0.5, 0.2, and 0.003 percent, respectively. Two of the highest growth rates during the last 10 quarters occurred during the 2020 recession, where real government expenditures rose by 0.9 and 1.0 percent, respectively. Also, real government expenditures have declined in three separate quarters since the end of the recession. Despite this minor evidence of countercyclical movement, the trend has been upward even following these individual declines. Real government expenditures have risen a net 0.1 percent since the end of the recession, which includes these three declining quarters. Real government expenditures made up 17.2 percent of real GDP in the second quarter of FY22.

Table 8
History of US Economic Variables

	FY21						FY22			
	Q2	% chg	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg
Real GDP ($ billions, AR)	18,767.8	-2.3	19,055.7	0.5	19,368.3	12.2	19,465.2	4.9	19,676.9	4.8
Real Consumption	12,927.9	-2.4	13,282.7	2.1	13,665.6	16.2	13,719.3	7.0	13,869.9	7.3
Real Investment	3,561.9	2.4	3,541.3	3.2	3,506.0	20.8	3,604.3	6.9	3,667.8	3.0
Real Government Expenditures	3,356.0	1.2	3,390.9	1.3	3,373.8	-0.1	3,380.2	0.6	3,381.2	0.7
Real Exports	2,279.0	-10.7	2,262.3	-7.4	2,304.2	18.6	2,289.5	5.7	2,303.2	1.1
Real Imports	3,411.8	0.3	3,488.4	6.2	3,548.7	30.6	3,601.2	13.0	3,612.9	5.9
CPI - All Goods (% chg)	1.2	NA	1.9	NA	4.8	NA	5.3	NA	5.8	NA
CPI - Food (% chg)	3.9	NA	3.6	NA	2.3	NA	3.9	NA	4.5	NA
CPI - Energy (% chg)	-8.7	NA	3.7	NA	25.6	NA	24.4	NA	27.6	NA
Core CPI (% chg)	1.6	NA	1.4	NA	3.7	NA	4.1	NA	4.3	NA
Industrial Prod. Index (% chg)	-4.3	NA	-1.6	NA	14.7	NA	5.7	NA	4.3	NA
Working Population (millions, NSA)	261.1	0.4	260.9	0.5	261.2	0.4	261.6	0.4	262.0	0.4
Civilian Labor Force	160.5	-2.3	159.9	-2.2	161.1	1.8	162.0	0.7	161.9	0.9
Employed	150.1	-5.5	149.5	-4.6	151.7	10.1	153.6	4.9	155.5	3.6
Unemployed	10.4	90.1	10.4	55.5	9.3	-54.3	8.4	-41.4	6.4	-38.8
Not in Labor Force	100.6	5.1	101.0	5.0	100.2	-1.6	99.6	-0.1	100.1	-0.4
Labor Force Participation Rate (%)	61.5	NA	61.5	NA	61.6	NA	61.7	NA	61.8	NA
Unemployment Rate (%)	6.7	NA	6.2	NA	5.9	NA	5.1	NA	4.5	NA
Housing Starts (millions, AR)	1.6	12.1	1.6	7.7	1.6	46.3	1.6	8.7	1.5	-2.7

Total federal outlays declined by 4.4 percent in the second quarter of FY22 compared to the second quarter of FY21. Federal outlays have declined on an adjacent-quarter basis for five of the last six quarters but are still high historically speaking. The last 10 adjacent-quarter growth rates are 1.1, 0.7, 1.8, 85.8, -20.9, -17.4, 35.5, -7.2, -12.6, and -13.0 percent, respectively. Total federal outlays were hovering around $4.8 trillion right before the recession and before the surge of government spending. Total federal outlays in the second quarter of FY22 were $5.7 trillion, which is roughly $870 billion higher than before the recession. Almost all the recent shrinkage in spending has occurred in subsidies.

Subsidies declined by 71.4 percent in the second quarter of FY22 compared to the second quarter of FY21. That is a net decline of $441.6 billion in just four quarters. Subsidies, like total outlays, are still historically high, despite falling recently. Prior to the recession, subsidies were hovering near $80 billion. Subsidies in the second quarter of FY22 were $177.0 billion. That is $97 billion higher than pre-recession levels. Subsidies made up just 3.1 percent of total federal outlays in the second quarter of FY22. In the fourth quarter of FY20, subsidies ballooned up to $1.1 trillion. At that time, subsidies made up 12.3 percent of total outlay. In the first quarter of FY21, subsidies grew to $1.2 trillion. Subsidies have contracted in four of the last five quarters.

Table 9
US Federal Outlays
$ billions, AR

	Second Quarter			
	FY22	FY21	Chg	% Chg
Federal Outlays excl. Gross Investment	5,695.7	5,955.2	-259.5	-4.4
National Defense	730.5	713.5	17.1	2.4
Non-Defense Consumption	482.7	450.6	32.1	7.1
Federal Transfer Payments to Resident Persons	2,880.3	2,839.1	41.2	1.5
Medicare	840.5	821.0	19.5	2.4
Social Security	1,126.2	1,088.8	37.4	3.4
Social Insurance to Rest of the World	28.0	28.2	-0.2	-0.7
Grants-in-Aid to State & Local Govts	846.3	743.0	103.3	13.9
Medicaid	534.8	507.8	26.9	5.3
Non-Medicaid Grants to State & Local Govts	311.5	235.2	76.3	32.5
Aid to Foreign Govts	43.6	47.5	-3.8	-8.1
Interest on the Debt	507.2	511.7	-4.4	-0.9
Subsidies	177.0	618.6	-441.6	-71.4

Non-Medicaid grants to state and local governments exploded during the recession and again recently. Non-Medicaid grants to states and local governments rose by 322.5 percent in the fourth quarter of FY20 compared to the third quarter of FY20. Non-Medicaid spending was trending higher even before the recession and was $208.6 billion in the second quarter of FY20 (pre-recession). Non-Medicaid grants to state and local governments rose sharply again in the fourth quarter of FY21, rising 311.4 percent compared to third quarter of FY21. Non-Medicaid grants to state and local governments surpassed $1.1 trillion in the fourth quarter of FY21. These grants have declined sharply in the last two quarters on an adjacent-quarter basis, falling 52.7 and 40.8 percent, respectively. Current non-Medicaid grants to state and local governments is $311.5 billion, which is 32.5 percent higher than a year earlier and $103 billion higher than pre-recession levels. Non-Medicaid grants to state and local governments made up 5.5 percent of total federal outlays in the second quarter of FY22.

Medicaid outlays grew by 5.3 percent in the second quarter of FY22 compared to the second quarter of FY21. Medicaid expenditures follow a rather different pattern than other expenditures during the recession and the following expansion period. Many other expenditures were characterized by a one or two quarter burst of spending followed by several quarters of tapering - moving back towards pre-recession levels of spending. Medicaid spending, on the other hand, has risen in almost every quarter including during the recession. Historically, Medicaid expenditures do not follow any cyclical patterns relative to the business cycle. For instance, in the 42 quarters of the previous expansion period, there were 15 declining quarters and 27 increasing quarters. The declines ranged in magnitude from 0.2 to 14.2 percent, while the increases ranged from 0.2 to 8.0 percent. During that expansion, Medicaid expenditures rose a net 56.8 percent, or $149.9 billion. During the current expansion period, a period of just six quarters, Medicaid expenditures have risen a net 6.4 percent, or $32.3 billion. Medicaid expenditures made up 9.4 percent of total federal outlays in the second quarter of FY22.

Real exports rose 1.1 percent in the second quarter of FY22 compared to the second quarter of FY21. Real exports declined significantly during the recession as all our trading partners also experienced a decrease in income which resulted in an across-the-board decrease in demand for all goods including US exports. Real exports were already in a soft period before the recession. The last 10 adjacent-quarter growth rates are -0.2, 0.3, -4.4, -20.4, 11.5, 5.2, -0.7, 1.8, -0.6, and 0.6 percent, respectively. Despite the 1.1 percent improvement relative to a year ago and despite a 0.6 percent increase over the previous quarter, real exports are still depressed. Six quarters into the expansion, real exports are still $250.1 billion below pre-recession levels. Real exports made up 11.7 percent of real GDP in the second quarter of FY22.

Real imports rose 5.9 percent in the second quarter of FY22 compared to the second quarter of FY21. Real imports were also declining prior to the recession. The last 10 adjacent-quarter growth rates are -0.3, -2.2, -3.4, -17.2, 17.3, 7.0, 2.2, 1.7, 1.5, and 0.3 percent, respectively. Unlike real exports, real imports have risen in every quarter of the expansion, thus far. Real imports surpassed their previous pre-recession peak in the second quarter of FY21. Real imports, a deduction in the real GDP identity, made up 18.4 percent of real GDP in the second quarter of FY22.

Inflation, the change in the CPI for all goods, was 5.8 percent in the second quarter of FY22. Energy inflation was the highest inflation component at 27.6 percent in the second quarter. This is the second consecutive quarter of exceptionally high inflation for both goods and energy. Inflation is caused by an increase in the money supply. The money supply, as defined by M1, jumped sharply between February 2020 and May 2020, as the Treasury issued $4.8 trillion in new money into the economy. Largely, this was put into the public domain via stimulus checks, grants to the states, and subsidies. As consumers had more money in their pockets, firms raised their prices to meet the increased demand caused by an increase in income.

US non-farm employment rose by 4.3 percent in the second quarter of FY22 compared to the second quarter of FY21. On an adjacent-quarter basis, this is the sixth consecutive quarter of growth in US non-farm employment. The last 10 adjacent-quarter growth rates are 0.4, 0.4, 0.1, -12.0, 5.4, 1.2, 0.5, 1.2, 1.6, and 0.9 percent, respectively. All eleven supersectors grew in the second quarter. The two largest growth sectors were leisure and hospitality services employment and mining employment.

Leisure and hospitality employment rose by 15.8 percent in the second quarter of FY22 compared to the second quarter of FY21. Leisure and hospitality has performed well in the six quarters since the 2020 recession ended. The last 10 adjacent-quarter growth rates for leisure and hospitality employment are 0.4, 1.1, -0.8, -37.9, 26.3, 3.2, 0.04, 7.1, 5.9, and 2.0 percent, respectively. Leisure and hospitality was hit hard in the recession and lost a net 6.4 million jobs. Since the end of the recession, leisure and hospitality employment has regained 5.3 million jobs. Leisure and hospitality services employment has regained 81.8 percent of its recession losses. Leisure and hospitality services employment made up 10.5 percent of US non-farm employment in the second quarter of FY22.

Mining employment increased by 10.1 percent in the second quarter of FY22 compared to the second quarter of FY21. Mining employment was suffering some weakness before the recession began. The last 11 adjacent-quarter growth rates for mining employment are -0.8, -2.0, -2.0, -3.2, -11.3, -2.5, 0.8, 1.1, 3.4, 3.2, and 2.2 percent, respectively. During the recession, mining lost 14.2 percent of its total jobs. Since the recession, mining employment regained a net 8.2 percent of its total jobs. As of the second quarter of FY22, mining employment has made up 49.8 percent of its recession losses. Mining employment is the smallest supersector and made up 0.4 percent of US non-farm employment in the second quarter of FY22.

US personal income rose by 5.2 percent in the second quarter of FY22 compared to the second quarter of FY21. However, on an adjacent-quarter basis, US personal income declined in the second quarter by 0.3 percent. US personal income has declined four times on an adjacent-quarter basis in the last six quarters, which is the current expansion period. US personal income has been primarily influenced by transfer payments income for the last eight quarters and has been the sole determinant of its growth during that time. The last 10 adjacent-quarter growth rates for US personal income are 0.7, 1.0, 1.0, 8.0, -2.8, -1.2, 11.9, -5.9, 0.2, and -0.3 percent, respectively. Transfer payments income even caused total personal income to rise during both quarters of the 2020 recession. Both transfer payments income and proprietors' income declined on an adjacent-quarter basis and were both responsible for the second quarter personal income decline.

Transfer payments income rose by 3.2 percent in the second quarter of FY22 compared to the second quarter of FY21. However, on an adjacent-quarter basis, transfer payments income declined by 6.2 percent in the second quarter of FY22 compared to the first quarter of FY22. Transfer payments have risen significantly since the 2020 recession. Prior to the recession, transfer payments income was under $3.2 trillion. During the recession, transfer receipts income rose to $5.6 trillion, a net increase of $2.6 trillion in just two quarters. After the recession, transfer receipts income subsided for two quarters and then shot up to $6.0 trillion in the third quarter of FY21. Transfer receipts income has declined for the last three quarters. The last 10 adjacent-quarter growth rates for transfer receipts income are 0.9, 0.6, 1.8, 74.3, -22.4, -14.6, 60.4, -27.6, -5.1, and -6.2 percent, respectively. Transfer payments income made up 18.7 percent of US personal income in the second quarter of FY22.

Table 10
History of US Labor and Income Data

	FY21						FY22			
	Q2	% chg	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg
Non-farm Employment (millions, NSA)	142.6	-6.0	143.4	-5.6	145.1	8.5	147.4	4.7	148.7	4.3
Goods-producing	20.2	-4.3	20.3	-3.8	20.3	6.0	20.5	3.1	20.7	2.7
Mining	0.6	-15.7	0.6	-12.0	0.6	2.6	0.6	8.6	0.7	10.1
Construction	7.4	-2.5	7.4	-2.7	7.4	7.5	7.4	2.9	7.5	1.8
Manufacturing	12.2	-4.7	12.3	-4.0	12.3	5.2	12.4	2.9	12.5	2.8
Service-providing	101.0	-6.5	101.6	-6.0	103.0	10.8	104.9	5.8	106.0	5.0
Trade, Transportation & Utilities	26.9	-3.1	27.1	-2.6	27.2	8.3	27.5	3.9	27.8	3.1
Information	2.7	-8.1	2.7	-7.9	2.7	3.9	2.8	5.6	2.8	5.7
Finance	8.8	-0.7	8.8	-0.9	8.8	2.2	8.9	2.0	8.9	1.6
Business Services	20.4	-4.6	20.7	-3.2	20.8	7.7	21.1	5.8	21.3	4.6
Educational Services	23.3	-4.7	23.3	-4.8	23.5	5.9	23.7	2.7	23.8	2.5
Leisure and Hospitality Services	13.5	-19.7	13.5	-19.0	14.4	39.7	15.3	17.1	15.6	15.8
Other Services	5.5	-7.3	5.5	-6.7	5.6	16.4	5.7	6.5	5.8	5.4
Government	21.5	-5.3	21.5	-5.6	21.7	0.8	22.0	1.0	22.0	2.5
Personal Income ($ billions, AR)	19,542.0	4.8	21,867.3	16.1	20,575.1	1.1	20,622.9	4.3	20,553.6	5.2
Wages and Salaries	9,783.0	3.4	9,879.2	2.9	10,079.1	12.3	10,319.0	9.7	10,504.1	7.4
Transfer Receipts	3,729.5	17.5	5,982.5	85.1	4,329.0	-23.2	4,106.7	-6.0	3,850.2	3.2
Dividends, Interest, and Rents	3,619.6	-1.7	3,615.8	-2.0	3,648.4	0.8	3,678.9	3.2	3,715.1	2.6
Supplements to Wages and Salaries	2,181.1	1.9	2,209.7	2.7	2,229.2	8.7	2,256.7	6.0	2,280.7	4.6
Proprietors' Income	1,730.0	6.3	1,714.0	4.6	1,848.2	25.6	1,850.6	5.1	1,813.4	4.8
Social Insurance	1,501.3	4.2	1,533.8	4.2	1,558.7	10.9	1,589.0	8.9	1,609.8	7.2
Residential Adjustment	0.0	NA	0.0	NA	0.0	NA	0.0	NA	0.0	NA

KENTUCKY ECONOMY

Kentucky non-farm employment rose by 3.5 percent in the second quarter of FY22 compared to the second quarter of FY21. Kentucky non-farm employment has followed a very different path than US non-farm employment during the last eight quarters. Kentucky non-farm employment fell for one quarter during the recession and has risen for the last six adjacent quarters. The last 10 adjacent-quarter growth rates are 0.3, 0.03, 0.2, -12.3, 6.8, 1.2, 0.3, 0.3, 0.6, and 2.3 percent, respectively. During the recession, Kentucky non-farm employment fell a net 240,700 jobs. During the current expansion, non-farm employment has made up a net 204,000 jobs, or 84.7 percent of the recession losses. Kentucky non-farm employment is still 36,700 jobs below the pre-recession peak.

Just like at the national level, leisure and hospitality services employment was the biggest mover for the second quarter of FY22. Leisure and hospitality services employment rose by 14.3 percent in the second quarter of FY22 compared to the second quarter of FY21. Leisure and hospitality services employment has surged since the mask mandates and shutdown orders have been lifted. The last 10 adjacent-quarter growth rates for leisure and hospitality services employment are 0.2, 0.5, -0.4, -36.5, 28.4, 1.2, -0.1, 1.8, 1.8, and 10.5 percent, respectively. Leisure and hospitality services employment is still below its pre-recession level, however. During the two quarters of the recession, leisure and hospitality services employment lost a net 74,700 jobs. During the last six quarters, leisure and hospitality services employment has risen a net 62,400 jobs. Leisure and hospitality services employment has made up 83.5 percent of the recession losses. The previous peak was 203,100 jobs in the second quarter of FY20. So, the leisure and hospitality services employment sector is still 12,300 jobs below its pre-recession peak. Leisure and hospitality services employment made up 10.0 percent of total Kentucky non-farm employment in the second quarter of FY22. Leisure and hospitality services employment is the sixth largest employment supersector in Kentucky.

Kentucky personal income rose by 3.9 percent in the second quarter of FY22 compared to the second quarter of FY21. Kentucky personal income has been driven largely by changes in transfer payments income, just like at the national level. As transfer payments have fallen for the last three quarters, so too has total Kentucky personal income fallen for the last three consecutive quarters. Adjacent-quarter growth rates for Kentucky personal income for the last 10 quarters are 1.0, 1.0, 0.9, 13.4, -8.0, 0.4, 14.7, -8.5, -0.2, and -0.9 percent, respectively. Historically, personal income is procyclical with the business cycle. That is, personal income falls when real GDP falls, and rises when real GDP rises. However, during the 2020 recession, personal income rose as transfer receipts income skyrocketed. The enormous increase in transfer receipts income during the recession was sufficient to offset the recession-time losses in wages and salaries, dividends, interest and rents income, supplemental income, and proprietors' income. Transfer receipts income has declined somewhat since the recession, but it is still having a strong influence on Kentucky personal income. Transfer receipts income and proprietors' income both declined in the second quarter of FY22 relative to the first quarter and contributed to the 0.9 percent drop in total personal income.

Kentucky transfer receipts income rose by 1.6 percent in the second quarter of FY22 compared to the second quarter of FY21. However, it has fallen for the last three quarters on an adjacent-quarter basis. Kentucky transfer receipts income swelled from $47.5 billion in the second quarter of FY20 to $79.9 billion in the fourth quarter of FY20. Transfer receipts income declined for two quarters and then jumped to $86.2 billion in the third quarter of FY21. Transfer receipts income is still above its pre-recession levels, despite falling for the last three quarters. The last 10 adjacent-quarter growth rates for Kentucky transfer receipts income are 1.5, 0.9, 2.9, 70.7, -28.5, -7.0, 54.6, -26.9, -4.7, and -5.7 percent, respectively. Transfer receipts income is $56.3 billion in the second quarter of FY22. Therefore, transfer receipts income is still $8.8 billion above its pre-recession level. Transfer receipts income made up 25.8 percent of total Kentucky personal income in the second quarter of FY22. Transfer receipts income has made up 25 percent or more of Kentucky personal income for the last seven quarters. Prior to the last seven quarters, transfer receipts income has never been above 25 percent in the history of the Commonwealth.

Table 11
History of KY Labor and Income Data

	FY21						FY22			
	Q2	% chg	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg
Non-farm Employment (thousands, NSA)	1,851.7	-5.0	1,857.0	-4.9	1,862.5	8.8	1,873.7	2.4	1,916.2	3.5
Goods-producing	327.0	-4.3	327.8	-3.7	329.9	11.0	336.7	5.2	334.3	2.2
Mining	7.3	-25.0	7.4	-15.6	7.1	3.3	7.0	-4.1	7.8	6.1
Construction	79.0	-2.0	78.7	-3.4	80.2	7.1	81.2	6.7	79.8	1.0
Manufacturing	240.6	-4.2	241.7	-3.4	242.6	12.6	248.5	5.0	246.7	2.5
Service-providing	1,230.6	-5.1	1,236.0	-5.0	1,238.0	10.4	1,245.7	2.6	1,282.1	4.2
Trade, Transportation & Utilities	401.7	-0.9	404.0	-0.4	404.6	7.3	407.5	2.5	410.3	2.1
Information	20.2	-6.2	20.3	-5.7	19.7	1.0	19.8	0.2	20.2	0.1
Finance	93.7	-0.5	95.4	0.7	95.0	4.7	95.4	3.7	96.6	3.1
Business Services	210.4	-2.8	212.4	-2.4	209.6	8.8	207.5	0.6	219.3	4.3
Educational Services	276.3	-4.0	275.7	-5.1	277.0	7.5	279.3	2.3	281.1	1.8
Leisure and Hospitality Services	166.9	-17.8	166.7	-17.6	169.7	32.1	172.7	4.7	190.8	14.3
Other Services	61.5	-9.4	61.4	-10.4	62.4	12.8	63.4	4.0	63.8	3.7
Government	294.1	-5.7	293.3	-5.8	294.6	0.3	291.3	-1.1	299.8	1.9
Personal Income ($ billions, AR)	210.2	5.6	241.2	20.2	220.7	-3.0	220.4	5.3	218.5	3.9
Wages and Salaries	100.6	2.6	101.8	2.9	103.7	12.4	105.8	9.1	107.3	6.7
Transfer Receipts	54.7	16.8	86.2	75.6	63.1	-24.8	59.5	0.3	56.3	3.0
Dividends, Interest, and Rents	32.7	-1.2	32.7	-1.8	33.0	0.6	33.2	2.5	33.5	2.2
Supplements to Wages and Salaries	24.7	4.0	25.3	5.1	25.6	10.2	26.0	6.9	26.3	6.6
Proprietors' Income	14.1	12.1	13.9	6.4	14.5	17.4	14.3	5.1	13.7	-2.9
Social Insurance	17.1	7.5	17.5	6.7	17.8	12.2	18.1	9.2	18.3	7.1
Residential Adjustment	0.5	NA	-1.2	NA	-1.5	NA	-0.3	NA	-0.3	NA

APPENDIX

General Fund and Road Fund Revenue Receipts

SECOND QUARTER FY22

Kentucky State Government – General Fund

	Second Quarter FY 2022	Second Quarter FY 2021	% Change	Year-To-Date FY 2022	Year-To-Date FY 2021	% Change
TOTAL GENERAL FUND	**$3,607,932,260**	**$3,213,696,580**	**12.3%**	**$7,032,839,097**	**$6,067,983,486**	**15.9%**
Tax Receipts	$3,471,549,872	$3,093,111,558	12.2%	$6,580,822,282	$5,862,866,852	12.2%
Sales and Gross Receipts	$1,434,794,382	$1,267,701,572	13.2%	$2,884,014,319	$2,600,083,182	10.9%
Beer Consumption	1,614,166	1,469,388	9.9%	3,382,932	3,140,841	7.7%
Beer Wholesale	16,400,910	14,718,050	11.4%	35,830,225	33,154,869	8.1%
Cigarette	81,942,171	92,909,180	-11.8%	165,949,986	180,794,383	-8.2%
Distilled Spirits Case Sales	59,312	50,501	17.4%	117,497	101,827	15.4%
Distilled Spirits Consumption	4,625,741	4,420,288	4.6%	9,544,135	8,857,968	7.7%
Distilled Spirits Wholesale	18,109,654	15,943,001	13.6%	35,567,842	31,407,527	13.2%
Insurance Premium	(936,471)	12,073,087	---	36,120,226	54,001,028	-33.1%
Pari-Mutuel	11,154,486	6,742,315	65.4%	20,489,856	11,573,951	77.0%
Race Track Admission	38,916	5,296	---	82,990	5,296	1466.9%
Sales and Use	1,265,446,168	1,083,659,228	16.8%	2,504,028,769	2,210,768,096	13.3%
Wine Consumption	757,358	894,976	-15.4%	1,682,783	1,746,807	-3.7%
Wine Wholesale	5,452,622	5,227,416	4.3%	10,361,782	9,901,133	4.7%
Telecommunications Tax	19,448,984	18,923,292	2.8%	38,576,933	36,629,925	5.3%
Other Tobacco Products	10,692,038	10,664,666	0.3%	22,287,682	17,992,829	23.9%
Floor Stock Tax	(11,676)	888	---	(9,318)	6,702	---
Natural Resources	$27,764,991	$23,852,471	16.4%	48,751,825	$43,011,836	13.3%
Coal Severance	17,440,407	16,680,602	4.6%	30,293,703	28,794,785	5.2%
Oil Production	1,660,623	784,604	111.7%	3,229,814	1,660,458	94.5%
Minerals Severance	6,486,528	5,780,343	12.2%	12,267,492	11,365,352	7.9%
Natural Gas Severance	2,177,433	606,923	258.8%	2,960,815	1,191,240	148.5%
Individual Income Tax	$1,279,770,544	$1,153,173,343	11.0%	2,542,065,874	$2,337,887,309	8.7%
Withholding	1,215,001,393	1,103,295,112	10.1%	2,344,764,840	2,176,664,638	7.7%
Declarations	44,817,553	44,989,895	-0.4%	173,244,478	168,187,626	3.0%
Net Returns	19,657,364	5,957,163	230.0%	24,565,809	(6,269,844)	-491.8%
Fiduciary	294,234	(1,068,827)	---	(509,253)	(695,111)	---
Major Business Taxes	$287,305,967	$233,785,830	22.9%	577,911,518	$398,877,868	44.9%
Corporation Income	236,773,392	169,577,992	39.6%	484,794,551	269,979,045	79.6%
LLET	50,532,575	64,207,838	-21.3%	93,116,967	128,898,823	-27.8%
Property	$415,355,522	$394,379,800	5.3%	478,420,334	448,496,114	6.7%
General - Real	246,803,491	229,515,271	7.5%	246,657,663	229,412,282	7.5%
General - Tangible	82,829,813	84,558,870	-2.0%	93,314,704	85,888,650	8.6%
Tangible - Motor Vehicle	34,379,028	32,407,704	6.1%	73,116,743	71,124,011	2.8%
Omitted & Delinquent	4,890,211	5,822,171	-16.0%	9,326,098	10,692,113	-12.8%
Public Service	46,017,236	40,484,942	13.7%	53,986,777	49,791,734	8.4%
Other	435,744	1,590,842	-72.6%	2,018,349	1,587,325	27.2%
Inheritance Tax	$26,547,875	$15,029,263	76.6%	44,312,513	$29,260,960	51.4%
Miscellaneous	$10,590	$5,189,278	-99.8%	5,345,898	5,249,584	1.8%
License and Privilege	$263,274	$429,215	-38.7%	718,963	803,282	-10.5%
Bank Franchise	$299,516	$423,172	-29.2%	584,566	1,255,135	-53.4%
Legal Process	2,998,888	1,868,981	60.5%	5,444,785	3,921,249	38.9%
T. V. A. In Lieu Payments	(3,553,523)	2,467,910	---	(1,409,574)	(1,035,447)	---
Other	2,435	0	---	7,158	305,365	-97.7%
Nontax Receipts	$134,930,238	$120,998,991	11.5%	445,631,414	$200,296,639	122.5%
Departmental Fees	3,125,505	1,660,281	88.3%	6,269,840	4,437,036	41.3%
PSC Assessment Fee	49,260	347	14080.0%	13,491,870	14,344,664	-5.9%
Fines & Forfeitures	4,542,039	2,779,822	63.4%	9,328,612	5,432,054	71.7%
Income on Investments	(484,415)	(244,951)	---	(617,439)	(472,568)	---
Lottery	83,842,688	76,604,545	9.4%	153,342,688	137,104,545	11.8%
Miscellaneous	43,855,162	40,198,946	9.1%	263,815,842	39,450,908	568.7%
Redeposit of State Funds	$1,452,151	($413,969)	---	6,385,401	$4,819,996	32.5%

Kentucky State Government – Road Fund

	Second Quarter FY 2022	Second Quarter FY 2021	% Change	Year-To-Date FY 2022	Year-To-Date FY 2021	% Change
TOTAL STATE ROAD FUND	**$391,315,974**	**$380,591,798**	**2.8%**	**$815,152,162**	**$790,028,116**	**3.2%**
Tax Receipts-	$386,530,637	$373,627,811	3.5%	$802,938,787	$776,412,515	3.4%
Sales and Gross Receipts	$337,377,594	$325,519,853	3.6%	$702,857,832	$675,584,316	4.0%
Motor Fuels Taxes	194,414,227	185,716,035	4.7%	395,872,321	377,812,288	4.8%
Motor Vehicle Usage	142,963,367	139,803,818	2.3%	306,985,511	297,772,029	3.1%
License and Privilege	$49,153,043	$48,107,957	2.2%	$100,080,956	$100,828,198	-0.7%
Motor Vehicles	19,753,845	18,996,565	4.0%	39,483,071	44,672,463	-11.6%
Motor Vehicle Operators	4,443,127	4,653,158	-4.5%	11,797,977	9,993,823	18.1%
Weight Distance	22,122,512	21,624,969	2.3%	43,886,360	40,554,308	8.2%
Truck Decal Fees	23,840	6,640	259.0%	61,040	51,300	19.0%
Other Special Fees	2,809,718	2,826,625	-0.6%	4,852,508	5,556,304	-12.7%
Nontax Receipts	$4,394,879	$6,874,872	-36.1%	$11,673,988	$13,453,756	-13.2%
Departmental Fees	5,075,566	5,101,545	-0.5%	11,242,189	10,389,935	8.2%
In Lieu of Traffic Fines	57,880	56,145	3.1%	119,425	94,830	25.9%
Income on Investments	(1,542,159)	113,851	---	(1,430,007)	279,730	---
Miscellaneous	803,592	1,603,332	-49.9%	1,742,381	2,689,262	-35.2%
Redeposit of State Funds	$390,459	$89,115	338.2%	$539,387	$161,845	233.3%

Glossary

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

Tables Notes

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.
Source: IHS Markit - Economics & Country Risk, December 3, 2021 data release.

Table 4
Not Seasonally Adjusted. Data for FY22 Q2 are November 2021 estimates.
Source: IHS Markit - Economics & Country Risk, December 3, 2021 data release.

Table 7
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, December 3, 2021 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 8
Not Seasonally Adjusted.
Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis
MAK model, November 2021

Table 10
Not Seasonally Adjusted. Data for FY22 Q2 are November 2021 estimates
Source: IHS Markit – Economics & Country Risk, December 3, 2021 data release.