Commonwealth of Kentucky

Quarterly Economic & Revenue Report

Third Quarter Fiscal Year

- 2022 -

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

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Andy Beshear
Governor

John Hicks
State Budget Director

Governor's Office for Policy and Management
Governor's Office for Economic Analysis
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April 29, 2022

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

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

Ms. Laurie Dudgeon
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 third quarter of Fiscal Year 2022 (FY22). This report includes a synopsis of the current economic and fiscal conditions of the Commonwealth, as well as an interim economic and revenue outlook for the next three fiscal quarters.

The official General Fund revenue estimate for FY22, as adjusted by the actions of the General Assembly in the 2022 regular legislative session, is $13,757.1 million, an increase of 7.2 percent compared to FY21. The interim, unofficial General Fund estimate for FY22 profiled in this report is $14,193.5 million, which would generate revenue of $436.4 million above the official estimate. Projected growth in the fourth quarter is 3.6 percent and annual growth for FY22 is predicted to be 10.6 percent.

The full year interim FY22 forecast for the Road Fund is $11.2 million less than the official revenue forecast. Motor fuels tax collections have been robust throughout the current year but are forecasted to decline 1.6 percent over the final three months. The increase in gas prices that has occurred, since the official forecast was made, will lead to a decline in consumption and revenues in the final quarter of the year. Higher wholesale gas prices will automatically trigger a statutorily required increase in the tax rate for FY23. Collections are expected to grow 4.2 percent over the first half of FY23 as the decline in consumption will be offset by the higher tax rate.

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

Sincerely,

John T. Hicks
State Budget Director

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EXECUTIVE SUMMARY

The Office of State Budget Director (OSBD) continuously monitors the financial situation of the Commonwealth. To that end, OSBD submits this *Quarterly Economic and Revenue Report* for the third quarter of Fiscal Year 2022 (FY22). This report includes the actual revenue receipts for the third quarter as well as an unofficial forecast for the remainder of FY22 and the first half of FY23. The report also provides updates on the national and Kentucky economic landscapes.

The April Quarterly Economic and Revenue Report uses the control scenario from the March IHS Markit US economic outlook to generate all economic forecasts. The Kentucky MAK model was then used to translate the national economic impacts into state effects that drive the revenue models used for the interim estimates in this report. Since the last quarterly report published in late January, the March US outlook used in this report shows a somewhat weaker outlook for real GDP and real consumption. Real consumption in FY22 has fallen from 6.0 percent growth in January to the current projection of 5.3 percent. The real GDP situation has shown a similar pattern with 5.0 percent in the January report to 4.5 percent in this report. This third quarter report utilizes IHS Markit's control forecast, as is customary. The current fiscal situation that the state faces continues to shine brightly as third quarter receipts rose 9.0 percent and year-to-date collections remain high at 13.6 percent growth over the same period in FY21.

The 9.0 percent third quarter revenue growth translated into a nominal gain of $265.6 million in the third quarter of FY22. Of that gain, $204.8 million came from the individual income tax and $150.7 million was attributable to sales and use tax. On the downside, the 2019 repeal of the bank franchise tax was the major contributor to a decline in the "miscellaneous" tax category. Revenue growth continues to be concentrated in the largest two revenue sources, the individual income tax and the sales tax.

Projected FY22 General Fund Revenue Surplus of $436.4 million

The official General Fund revenue estimate for FY22, as adjusted by the actions of the General Assembly in the 2022 regular legislative session, is $13,757.1 million, an increase of 7.2 percent compared to FY21. Following March collections, General Fund receipts could decline by 7.9 percent for the remainder of the fiscal year and hit the official estimate. The interim, unofficial General Fund estimate for FY22 profiled in this report is $14,193.5 million, which would generate revenues $436.4 million above the official estimate. Projected growth in the fourth quarter is 3.6 percent and annual growth for FY22 is predicted to be 10.6 percent.

The fourth quarter expected growth rate of 3.6 percent requires some explanation since the first three quarters of the fiscal year saw increases of 20.0, 12.3, and 9.0 percent, respectively. The 24.8 percent fourth quarter revenue growth rate in FY21 came off a low base in FY20. Last year, every major revenue account except for the cigarette tax grew by double-digits last year in the fourth quarter. The largest three revenue accounts (individual income, sales, and corporate income/limited liability income tax) grew by 15.1 percent, 31.4 percent, and 51.6 percent, respectively. A 3.6 percent forecasted growth rate for April through June of 2022 over last year's 24.8 percent growth still reflects very positive revenue activity.

Projected FY22 Road Fund Revenue Shortfall of $11.2 million

The official Road Fund revenue estimate for FY22 is $1,680.1 million, an increase of 2.3 percent compared to FY21. The FY22 interim forecast is $1,668.9 million, which is $11.2 million less than the official revenue forecast. Motor fuels tax collections have grown 5.1 percent year-to-date but are forecasted to decline 1.6 percent over the final three months. The increase in gas prices since the official forecast was made will lead to a decline in consumption and revenues in the final quarter of the year.

Motor fuels revenue is projected to bounce back and grow at a nearly 5.0 percent clip for the first half of FY23. The growth in motor fuels revenue in FY23 is predominately a function of the expected rise in the motor fuels tax rate due to the statutory rate setting process that occurs near the end of the fiscal year.

Summary of Projected Major Economic Factors

Real GDP is expected to increase 3.4 percent in the fourth quarter of FY22, which will round out the fiscal year at a robust 4.5 percent rate of growth. Growth in real GDP is expected to slip to 2.9 percent in the first half of FY23. Labor markets continue to improve. Real investment continues to outpace real consumption. Real imports continue to grow, but the rate of growth is expected to decline as consumers continue to shift away from goods and towards services as COVID-19 cases decline. On the employment front, total employment in the first half of FY23 is to grow by an additional 3.4 percent with manufacturing employment growing at 2.2 percent. In Kentucky, personal income is poised to continue its positive trend of growth, increasing 2.4 percent by the final quarter of FY22, and 2.4 percent for the first half of FY23. The wages and salaries component of Kentucky personal income is anticipated to increase by a robust 9.1 percent for the final quarter of FY22 and maintain a strong pace of 6.9 percent growth through the first and second quarters of FY23. Total non-farm employment is forecasted to rise by 71,800 jobs by June of 2022 and an additional 64,500 annualized jobs in the first and second quarters of FY23.

Revenues, Third Quarter FY22

General Fund revenue growth has been robust through the first nine months of FY22. Collections are up 13.6 percent year-to-date even with last year's revenues supported by federal stimulus payments to households and businesses. Growth rates for the three quarters this year have been 20.0 percent, 12.3 percent, and 9.0 percent, respectively.

Total Road Fund receipts rose 5.2 percent during the just completed quarter, the largest percentage change in any quarter this year. Revenues have grown steadily throughout the year, increasing 3.5 percent, 2.8 percent, and 5.2 percent in each quarter. Total receipts received in the third quarter were $405.6 million, which compared favorably to last year's third quarter total of $385.7 million. Six of the seven accounts grew with motor fuels and motor vehicle usage tax collections accounting for $20.9 million of the increase.

State and National Economy, Third Quarter FY22

Real gross domestic product (real GDP) rose by 4.2 percent in the third quarter of FY22. This is the seventh consecutive quarter of real GDP growth following the end of the 2020 recession. Federal Transfer Payments to Resident Persons declined by 44.7 percent in the third quarter of FY22. The CPI (for all goods) has grown 7.7 percent in the third quarter of FY22 over the third quarter of FY21. This is the highest inflation in the CPI since the second quarter of FY82. US non-farm employment grew 4.6 percent in the third quarter of FY22. Leisure and hospitality services employment grew by 16.9 percent in the third quarter of FY22 compared to the third quarter of FY21. US personal income declined by 3.6 percent in the third quarter of FY22. This was driven almost entirely by the decline in transfer receipts income.

Kentucky non-farm employment grew by 3.2 percent in the third quarter of FY22. Leisure and hospitality services employment grew by 10.8 percent in the third quarter of FY22. Kentucky manufacturing employment continued its recent upward trend by growing 5.7 percent over the same period. Kentucky manufacturing employment has been increasing for the last seven quarters. Kentucky personal income declined by 6.8 percent in the third quarter of FY22. Kentucky transfer receipts income declined by 32.3 percent during that time, dragging down personal income. However, Kentucky wages and salaries grew 9.1 percent in the third quarter of FY22.

REVENUE & ECONOMIC OUTLOOK

GENERAL FUND

Revenue collections for the General Fund continue to outpace expectations. Collections are up 13.6 percent through the first three quarters of FY22 despite the fact that revenues in FY21 were aided by federal stimulus payments to households and businesses.

The official General Fund revenue estimate for FY22, as adjusted by the actions of the General Assembly in the 2022 regular legislative session, is $13,757.1 million, an increase of 7.2 percent compared to FY21. The interim, unofficial General Fund estimate for FY22 profiled in this report is $14,193.5 million, which would generate revenue $436.4 million above the official estimate. Projected growth in the fourth quarter is 3.6 percent and annual growth for FY22 is predicted to be 10.6 percent. See Table 1 for the interim estimates and the comparison to the official estimates.

Table 1
General Fund Interim Forecast
$ millions

	FY22						FY22		FY23	
	Q1, Q2, & Q3		Q4		Full Year		Official		Q1 & Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Individual Income	3,929.5	11.6	1,675.7	3.2	5,605.2	9.0	5,424.7	180.5	2,744.5	8.0
Sales & Use	3,712.0	13.6	1,353.5	4.7	5,065.5	11.1	4,950.7	114.8	2,715.2	8.4
Corp. Inc. & LLET	679.5	42.5	411.0	1.3	1,090.5	23.5	970.5	120.0	469.3	-18.8
Property	649.2	4.2	71.4	-9.8	720.6	2.6	679.2	41.4	476.7	-0.4
Lottery	230.3	11.8	92.0	10.8	322.3	11.5	319.3	3.0	156.5	2.1
Cigarettes	240.6	-7.0	87.5	-4.0	328.1	-6.2	334.7	-6.6	157.2	-5.3
Coal Severance	49.2	16.4	16.8	21.7	66.0	17.7	64.1	1.9	38.7	27.7
Other	763.4	21.7	231.9	7.9	995.3	18.2	1,013.9	-18.6	343.5	-40.9
General Fund	**10,253.8**	**13.6**	**3,939.7**	**3.6**	**14,193.5**	**10.6**	**13,757.1**	**436.4**	**7,101.6**	**1.0**

The fourth quarter expected growth rate of 3.6 percent requires some explanation since the first three quarters of the fiscal year saw increases of 20.0, 12.3, and 9.0 percent, respectively. Even though the fourth quarter of FY21 was coming off a low base in FY20, the fourth quarter growth rate of 24.8 percent presents a formidable hurdle to clear in FY22. Every major revenue account except for the cigarette tax grew by double-digits last year in the fourth quarter. The largest three revenue accounts (individual income, sales, and corporate income/limited liability income tax) grew by 15.1 percent, 31.4 percent, and 51.6 percent, respectively. Such a high base from the prior year explains the prospects of the fourth quarter of FY22 growing at 3.6 percent.

The individual income tax is expected to exceed the budgeted estimate by $180.5 million in FY22. It is forecasted to grow modestly at 3.2 percent during the fourth quarter of FY22 before accelerating to an 8.0 percent pace in the first half of FY23. Individual income tax receipts comprise nearly two-fifths of all General Fund revenues. Individual income tax receipts rose 11.6 percent through the first three quarters of FY21. Improving employment, coupled with wage increases, have propelled year-to-date collection in the individual income tax. The individual income tax is composed of four parts: withholding, declaration payments, net returns, and fiduciary. Withholding is by far the largest component, making up 88.9 percent of the total projected individual income tax in FY22. The withholding component is expected to increase 11.0 percent in the fourth quarter of FY22 following growth of 9.7 percent through the first nine months of the fiscal year. The first half of FY23 is projected to grow at 9.6 percent. Some individual income tax filers, based on their expected tax liability, make quarterly declaration payments in April, June, September, and January. Two of the four declaration payments are due in the fourth quarter of the fiscal year. This component of the individual income tax is forecasted to decline by 31.1 percent in the fourth quarter of FY22, due in part to the record level of estimated payments made in the comparison quarter of FY21. Net returns are the combination of pay returns less refunds, with the sum historically being a negative number. The final component, fiduciary payments, is a very small revenue source that is expected to rise to $1.7 million during the fourth quarter. The four components combine for a fourth quarter increase of 3.2 percent to close FY22 before picking up to 8.0 percent growth in the first half of FY23.

Sales and use tax receipts increased 13.6 percent during the first three quarters of FY22 with nominal collections of $3,712.0 million. The three-quarter total averages out to $412.4 million per month, an all-time record for the first nine months of a fiscal year. The fourth quarter is expected to increase by 4.7 percent, or collections of $1,353.5 million. While the 4.7 percent anticipated growth in the fourth quarter marks a slower pace than year-to-date totals, the slower growth is partially a function of the high base of comparison from FY21. Monthly receipts over the fourth quarter of FY22 are forecasted to be $451.2 million, another record high for a fourth fiscal quarter. Combining the year-to-date sales and use receipts with the fourth quarter interim estimate, the total sales and use tax receipts are expected to equal $5,065.5 million for FY22. This interim estimate results in 11.1 percent annual growth for FY22. The official estimate for the sales and use tax is $4,950.7 million, so the interim estimate is $114.8 million higher than the official estimate. Growth for the first half of FY23 is projected to be 8.4 percent.

Revenues from the corporation income tax and the limited liability entity tax (LLET) are estimated to exceed the FY22 budgeted estimate by $120.0 million, which would be the second largest component of the $436.4 million expected revenue surplus. These two major business taxes continue to be reported and estimated in combination due to the interactions between the income and gross receipts taxes on businesses. Corporation taxes jumped 38.1 percent in FY21, the largest annual increase since the Great Recession. Even with the high comparison year, combined business taxes have risen 42.5 percent through the first nine months of FY22. The fourth quarter of the fiscal year is always the highest quarter of actual collections since calendar-year filers must make two of the four estimated payments for the corporation income tax in April and June. Estimated payments are forward-looking in the sense that the four quarterly payments are intended to cover the tax liability for a given tax year. The estimated payments that contributed to the 42.5 percent year-to-date growth were made in September and December of 2021 for tax year 2021. The April and June payments that will occur during the fourth quarter of FY22 represent advance payments for calendar-year filers. Since the economy is forecasted to soften in 2022 vis-à-vis 2021, the forecasting models are projecting a modest 1.3 percent increase in the fourth quarter of FY22, followed by an 18.8 percent decline in the first half of FY23. Both the magnitude and volatility of tax collections have been impacted by the recent tax law changes.

The forecast for property taxes calls for growth of 2.6 percent in FY22. Through the first nine months of FY22, property tax receipts have climbed 4.2 percent. Receipts are expected to decline 9.8 percent in the fourth quarter, primarily due to the property tax on motor vehicles. Senate Joint Resolution 99 from the 2022 regular session of the General Assembly prompted the promulgation of Executive Order 2022-096, which essentially froze the 2022 valuation of motor vehicles at the property tax year 2021 levels. The latest language that received final passage from the General Assembly was HB 6. In addition to freezing the assessment valuation for two years, the bill permanently changes the standard value of motor vehicles to be the average trade-in value, not the clean trade-in values, permitted by the valuation manual. All of these actions lowered the 2022 motor vehicle assessments. Before these changes were made, the Department of Revenue expected motor vehicle valuations to rise 40 percent due to the elevated prices of new and used motor vehicles. The lower valuations were retroactively applied, so refunds will be paid in the fourth quarter for filers who paid the higher amounts before the law changed. Thus, the fourth quarter property tax collections on motor vehicles are expected to fall dramatically from levels that would have prevailed before the changes signed into law by Governor Beshear. Total FY22 collections are projected to equal $720.6 million, $41.4 million above the official estimate.

Lottery dividends to the General Fund are expected to total $322.3 million in FY22, a sum $3.0 million higher than the official estimate. Growth in General Fund lottery receipts computes to 11.5 percent for FY22. Continued annual growth in the Kentucky Lottery is noteworthy given the maturity of the state lottery. The growth through the first three quarters of FY22 was primarily attributable to growth in scratch-off products and iLottery instant play, which continues to expand despite a growing number of wagering alternatives in the region.

Cigarette tax revenues have tumbled sharply in FY22 and are expected to fall short of the budgeted estimate. Monthly cigarette tax receipts in the last two years have turned quite choppy, with double-digit gains and setbacks more commonplace than during prior years. During the first nine months of FY22, the large declines have far outnumbered the double-digit increases. Year-to-date collections for cigarette taxes have declined 7.0 percent. The interim forecast for FY22 calls for a 4.0 percent decline in the fourth quarter, producing an amount $6.6 million lower than the official estimate. Receipts in the first half of FY23 are expected to fall an additional 5.3 percent. Since the rate of taxation per pack will remain the same in FY22 as it was since FY19, variations in cigarette tax receipts will be based solely on the volume of cigarette tax stamps sold to wholesalers and registered stamping agents.

Coal severance tax receipts are expected to approximately match the budgeted estimate. Coal receipts dropped sharply in FY20, declining by 36.7 percent to $58.8 million. Collections in FY21 for the coal severance tax fell an additional 4.7 percent with receipts equaling $56.1 million. The FY22 interim forecast calls for annual receipts of $66.0 million, an amount $1.9 million greater than the official estimate. Since the rate of increase is predicted to total 17.7 percent in FY22, it is fair to say that coal severance tax collections have improved greatly since the poor showing in FY20 and FY21. The coal severance tax is expected to climb 27.7 percent during the first half of FY23 as prices to continue to rise slightly.

The "other" category of receipts is forecasted to fall short of budgeted estimates in FY22 by $18.6 million, due to the revised interim estimates for abandoned property and insurance premiums. This category contains dozens of smaller accounts, which make up the remainder of the General Fund. A 7.9 percent increase is expected for the remaining quarter of FY22, but the balance at the conclusion of the fiscal year is anticipated to equal $995.3 million while the official estimate was set at $1,013.9 million. Despite the loss of approximately $115 million from the repeal of the bank franchise tax, FY22 will likely be a peak for the other accounts, primarily due to the $225 million legal settlement that was deposited into the General Fund during the first quarter of FY22. As a result, the first half of FY23 is expected to decline by 40.9 percent since the base in FY22 was inflated by the settlement.

ROAD FUND

Road Fund revenues have grown steadily throughout the first nine months of FY22 but are forecasted to decline in the final three months of the year. This forecast predicts that revenues will bounce back and grow at a nearly five percent clip in the first half of FY23, as shown in Table 2. Growth rates for the fourth quarter of the current fiscal year are expected to fall due to high gas prices as well as a timing issue.

The FY22 full-year interim forecast is $11.2 million less than the official revenue forecast. It should be noted that while the official revenue forecast is an average of the control and optimistic economic scenarios, the forecast presented in this quarterly report is based solely on the control scenario.

Motor fuels tax collections have been robust throughout the current year but are forecasted to decline 1.6 percent over the final three months. Because the motor fuels tax rate, once set, is fixed for each fiscal year, changes to the forecast are solely the result of changes in consumption. The increase in gasoline prices is expected to lead to a decline in consumption and, therefore, revenues in the final quarter of the year. However, the higher wholesale gas prices in FY22 will result in a statutorily-driven increase of 2.0 cents per gallon in the tax rate for FY23. Collections are expected to grow 4.2 percent over the first half of FY23 as the decline in consumption will be more than offset by the higher tax rate.

Motor vehicle usage tax collections have been steady this year with revenues increasing 4.6 percent year-to-date. The forecast calls for a 4.8 percent decline in the final quarter, primarily due to inflated collections in the same quarter last year. Revenues are expected to resume normal growth over the first half of FY23 with receipts growing 4.7 percent. The FY22 quarterly growth rates have been 3.8 percent, 2.3 percent, and 7.8 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 7.7 percent in the final quarter of FY22 but increase 4.1 percent in the first two quarters of FY23. Motor vehicle operators' licenses are projected to increase 1.6 percent for the remainder of the fiscal year and grow 4.3 percent over the first six months of FY23. Weight distance tax revenue is forecast to increase 4.6 percent in the final quarter of the fiscal year and increase 3.9 percent in the first half of FY23. Investment income is negative over the first nine months of the fiscal year and receipts are expected to continue to decline in this account in the final quarter of FY22. All other revenues have grown 5.4 percent during the first three quarters of the current fiscal year. However, receipts in this revenue category are expected to decrease over the next three months before growing 5.6 percent in the first half of FY23.

Table 2
Road Fund Interim Forecast
$ millions

	FY22						FY22		FY23	
	Q1, Q2, & Q3		Q4		Full Year		Official		Q1 & Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Motor Fuels	576.6	5.1	196.5	-1.6	773.1	3.3	788.3	-15.2	412.6	4.2
Motor Vehicle Usage	460.8	4.6	171.8	-4.8	632.6	1.9	619.7	12.9	321.4	4.7
Motor Vehicle License	72.5	-6.1	44.5	-7.7	117.0	-6.8	116.6	0.4	41.1	4.1
Motor Vehicle Operators	20.5	33.2	6.8	1.6	27.3	23.6	25.8	1.5	12.3	4.3
Weight Distance	65.9	6.0	22.0	4.6	87.9	5.7	90.5	-2.6	45.6	3.9
Income on Investments	-9.0	NA	-0.9	NA	-9.9	NA	-1.0	-8.9	2.7	NA
Other	33.4	5.4	7.5	-30.3	40.9	-3.7	40.2	0.7	19.6	5.6
Road Fund	**1,220.7**	**3.8**	**448.2**	**-4.0**	**1,668.9**	**1.6**	**1,680.1**	**-11.2**	**855.3**	**4.9**

NATIONAL ECONOMIC OUTLOOK

The forecast of the national outlook used in this quarterly report is the IHS Markit control scenario for March 2022. Economic conditions are projected to remain very strong over the three-quarter forecasting horizon. However, the March outlook does represent a downgrade from the November forecast, which was the basis for the second quarterly report of FY22 that was released at the end of January. The main reasons for the slight economic downgrade are the geopolitical tensions in Ukraine and the pernicious nature of the current rate of inflation.

Real GDP is expected to increase 3.4 percent in the fourth quarter of FY22, which will round out the fiscal year at a robust 4.5 percent rate of growth. Growth in real GDP is expected to slip to 2.9 percent in the first half of FY23. Real consumption, which arguably was the key component that led the national economy out of the very short-lived recession in 2020, is beginning to fade. Growth in real consumption is projected to be 2.6 percent in the fourth quarter of FY22 followed by 2.3 percent in the first half of FY23. The anticipated growth over the forecasting horizon is the slowest real consumption growth since the end of the most recent recession. Since real consumption is about 70 percent of real GDP, slower growth in real consumption has a corresponding lethargic effect on real GDP. The culprit for slower real consumption expansion is believed to be the Russian invasion of Ukraine, as well as the corresponding impacts from inflation and personal wealth.

Overall inflation is impacted as the price of energy-related items soar and food prices rise. Personal wealth is also affected by more volatile and generally lower equity prices. Both factors combine to undermine consumer's expectations of current and future disposable income, a key driver for real consumption.

Real investment continues to outpace real consumption, with a 12.7 percent increase in real investment expected during the fourth quarter of FY22. Investment is expected to show continued strength in the first half of FY23 with forecasted growth of 6.8 percent. A leading sector in real investment is domestic drilling for oil and natural gas. Surging energy prices from the Russian invasion of Ukraine have accelerated the pace of investments in domestic alternatives to imported oil. Many domestic firms are engaging in real investment, in part to alleviate reliance on foreign sources for inputs into production and to increase production of goods and services.

Real imports continue to grow, but the rate of growth is expected to decline as consumers continue to shift away from goods and towards services as COVID-19 cases have declined sharply. While real imports continue to grow at an estimated 9.3 percent in the fourth quarter of FY22, real imports are projected to increase only 5.4 percent in the first half of FY23. Real export growth is expected to outpace real imports in the first half of FY23 with exports rising at a healthy 7.8 percent.

Labor markets continue to improve even as real GDP growth softens slightly. Non-farm employment is expected to increase 4.4 percent in the fourth quarter of FY22 and 4.5 percent over the course of the entire FY22. The forecast for personal income shows a 3.4 percent increase in the fourth quarter of FY22 and 4.6 percent in the first half of FY23. Wages and salaries paved the way for personal income growth with a 10.5 percent projected increase in the fourth quarter followed by 8.5 percent in the first half of FY23. The projections for personal income as a whole fail to keep pace with wages and salaries due to anticipated sharp declines in transfer payments. A 12.4 percent expected decline in transfer payments in the fourth quarter of FY22 would complete a fiscal year that saw transfer receipts falling an estimated 14.8 percent. Transfer payments are expected to drop another 5.2 percent in the first half of FY23.

Regarding wages and salaries, growth in FY22 is expected to be 10.8 percent, the highest rate of growth since FY79. Wage and salary income can rise or fall because of changes in employment or differences in the wage rate. Both elements have risen in FY22 leading to the historically high rate of growth in wage and salary income.

On the employment front, total employment in the first half of FY23 is expected to be an annualized 152.7 million jobs. The annualized level of employment is noteworthy because the forecasted level is expected to eclipse the pre-recession peak of 151.9 million. The service-producing sectors are expected to lead the way with 5.0 percent growth in the fourth quarter with goods-producing occupations rising 4.0 percent. A pleasant development in the goods-producing sectors is the 3.7 percent expected growth in manufacturing employment in the fourth quarter of FY22. If that growth materializes, FY22 will have grown 3.1 percent for the year -- or slightly over 380,000 additional annualized jobs. That is the highest number of new manufacturing jobs since FY85.

Leisure and hospitality employment continues to surge with 13.2 percent expected growth in the fourth quarter of FY22 followed by a similar 11.8 percent increase expected in the first half of FY23. Notwithstanding the prodigious growth in leisure and hospitality employment, the level of employment remains below its pre-pandemic peak though the first half of FY23. The largest service-producing sector in terms of total employment is trade, transportation, and utilities (TTU). Growth in TTU is expected to be 3.7 percent in the fourth quarter of FY22 and 1.1 percent in the first half of FY23. The job losses in TTU during the 2020 recession were less severe than in some other supersectors. As a result, TTU jobs surpassed its pre-recession peak sooner than other supersectors. TTU reached that pre-recession peak in the first quarter of FY22. TTU employment is now 600,000 seasonally adjusted jobs above its previous peak. TTU is expected to fall slightly in the first half of FY23 to 28.2 million jobs, which is still a net 400,000 seasonally adjusted jobs above its pre-recession peak.

Table 3 reports that the unemployment rate is expected to reach 3.4 percent during the first half of FY23. That rate would be lower than the unemployment rate of 3.6 percent that was obtained in the second quarter of FY20, prior to the recession of 2020. Table 3 also shows that US housing starts are expected to decline 3.4 percent during the first half of FY23. Rising interest rates, including mortgage rates, are the likely cause of the slowdown in housing starts.

Table 3
US Economic Outlook
Interim Forecast

	Q4			Full Year		Q1 & Q2	
	FY22	FY21	% chg	FY22	% chg	FY23	% chg
Real GDP	20,020.3	19,368.3	3.4	19,791.9	4.5	20,217.4	2.9
Real Consumption	14,018.6	13,665.6	2.6	13,879.0	5.3	14,097.0	2.3
Real Investment	3,951.7	3,506.0	12.7	3,833.5	9.7	3,998.7	6.8
Real Govt. Expenditures	3,374.5	3,373.8	0.0	3,369.5	0.0	3,385.9	0.5
Real Exports	2,462.8	2,304.2	6.9	2,385.4	5.9	2,517.7	7.8
Real Imports	3,877.2	3,548.7	9.3	3,757.0	10.2	3,862.2	5.4
CPI all goods (% chg)	6.9	4.8	NA	6.7	NA	5.1	NA
CPI Food (% chg)	8.1	2.3	NA	6.3	NA	6.9	NA
CPI Energy (% chg)	20.7	25.8	NA	25.4	NA	5.4	NA
CPI Core (% chg)	5.3	3.7	NA	5.2	NA	4.7	NA
Industrial Production Index (% chg)	5.5	14.7	NA	5.2	NA	5.0	NA
Unemployment Rate (%)	3.6	5.9	NA	4.2	NA	3.4	NA
Housing Starts ($ millions, NSA)	1.6	1.6	3.7	1.6	5.3	1.6	-3.4

Table 4
US Labor and Income Outlook
Interim Forecast

	Q4			Full Year		Q1 & Q2	
	FY22	FY21	% chg	FY22	% chg	FY23	% chg
Non-farm Employment (millions, NSA)	151.6	145.2	4.4	149.3	4.5	152.7	3.4
Goods-producing	21.0	20.2	4.0	20.7	3.2	21.1	3.0
Construction	7.7	7.4	4.0	7.5	3.1	7.7	3.6
Mining	0.6	0.6	11.6	0.6	7.0	0.7	14.0
Manufacturing	12.7	12.3	3.7	12.6	3.1	12.7	2.2
Service-providing	108.2	103.0	5.0	106.5	5.3	109.1	3.7
Trade, Transportation & Utilities	28.6	27.6	3.7	28.2	3.9	28.2	1.1
Information	2.9	2.8	4.1	2.9	6.3	2.9	1.7
Finance	8.9	8.7	2.1	8.9	1.8	9.0	2.0
Business Services	22.2	21.0	5.6	21.8	5.8	22.4	4.2
Educational Services	24.2	23.6	2.4	24.0	2.6	24.2	1.9
Leisure and Hospitality Services	15.7	13.8	13.2	15.1	14.8	16.4	11.8
Other Services	5.7	5.4	5.1	5.6	4.9	5.9	5.7
Government	22.4	22.0	1.9	22.2	1.7	22.5	1.9
Personal Income ($ billions, AR)	21,377.7	20,669.9	3.4	21,056.7	2.9	21,835.9	4.6
Wages and Salaries	11,245.4	10,180.4	10.5	10,870.0	10.8	11,526.4	8.5
Transfer Receipts	3,790.4	4,329.0	-12.4	3,922.5	-14.8	3,829.1	-5.2
Dividends, Interest, and Rents	3,821.1	3,648.4	4.7	3,751.0	3.8	3,913.5	5.6
Supplements to Wages and Salaries	2,367.5	2,236.2	5.9	2,317.2	5.9	2,420.7	6.0
Proprietors' Income	1,876.6	1,848.2	1.5	1,863.0	5.7	1,899.7	2.1
Social Insurance	1,723.3	1,572.2	9.6	1,666.9	9.9	1,753.5	7.6
Residence Adjustment	0.0	0.0	NA	0.0	NA	0.0	NA

KENTUCKY ECONOMIC OUTLOOK

Kentucky personal income is poised to continue its positive trend of growth, increasing 2.4 percent by the final quarter of FY22, and 2.4 percent for the first half of FY23. Growth at the projected levels would represent a $5,378.2 million increase in Kentuckian's personal income compared to the same three quarters one year prior. The increase in personal income primarily reflects an increase in employee compensation that was partly offset by a decrease in transfer receipts.

To hold pace with strong demand in some areas of the economy, employers struggled to recruit and retain workers for the full year of 2021. Consequently, businesses expanded their payrolls as a mechanism to compete with other employers. While average wages have risen, they have generally not kept pace with inflation. Employers are expected to raise wages and salaries at a swifter pace over the forecast horizon.

The wages and salaries component of Kentucky personal income is anticipated to increase by a robust 9.1 percent for the final quarter of FY22 and maintain a moderate pace of 6.9 percent growth entering the first and second quarters of FY23. Kentucky wages and salary growth is expected to slightly lag the national growth by 1.4 percentage points over the fourth quarter of FY22 and continue to trail the national rate by 1.6 percentage points through December, ending the second quarter of FY23.

Higher wages, increased childcare options, abating health concerns, among other factors appear to be encouraging workers to re-enter the labor market. The Commonwealth lost approximately 240,700 non-farm employment jobs during the initial months of the pandemic. Workforce data indicates 85.1 percent of those jobs have been recovered by the end of March 2022. This forecast predicts a nearly full recovery of the 240,700 lost jobs by the end of calendar year 2022. On average, employment has returned to pre-pandemic levels in jobs that offer modest wages, adequate benefits, and workplace flexibility. Looking ahead, Kentucky is anticipated to extend its recent labor market gains over the next three fiscal quarters.

Total non-farm employment is forecasted to edge up by 71,800 jobs by June of 2022 and an additional 64,500 jobs in the first and second quarters of FY23. This represents an average gain of 23,919 workers per month in final quarter of FY22. Employment is expected to increase for 10 of Kentucky's 11 major nonfarm North American Industry Classification System job sectors over the forecast horizon, while the remaining one was essentially unchanged.

The goods-producing sectors are expected to increase by 6.0 percent in the fourth quarter of FY22 and by 4.2 percent in the first half of FY23. Notable job gains are expected in Kentucky's manufacturing employment sector. Over the next three quarters, manufacturing is on track to add 13,000 jobs compared to the same periods one year prior. The increase computes to growth of 6.7 percent in the fourth quarter of FY22 and 4.6 percent growth in the first half of FY23. Growth in manufacturing employment in the Commonwealth is particularly noteworthy given the declines endured over the last two decades. Since the recessionary trough in the fourth quarter of FY20, manufacturing employment is expected to increase 45,900 jobs by the first half of FY23. That will bring manufacturing employment in Kentucky back to a level not seen since FY06.

The service-providing employment sectors are expected to increase by 4.0 percent in the fourth quarter of FY22 and by 3.6 percent in the first half of FY23. In percentage and nominal terms, the leisure and hospitality employment sector is anticipated to incur the quickest growth in the fourth quarter of FY22, gaining 10.8 percent or 18,300 jobs. Further recovery is anticipated in the leisure and hospitality employment sector spanning the first two quarters of FY23, growing an additional 13.5 percent or 23,400 jobs. Notwithstanding the projected uptick, leisure and hospitality employment levels will remain lower than the pre-recession peak even at the end of the forecasting period. Of all the supersectors, leisure and hospitality employment was among the hardest hit over the course of the pandemic, therefore has the deepest hole to climb out.

Table 5
KY Labor and Income Outlook
Interim Forecast

	Q4			Full Year		Q1 & Q2	
	FY22	FY21	% chg	FY22	% chg	FY23	% chg
Non-farm Employment (thousands, NSA)	1,934.3	1,862.5	3.9	1,905.1	3.0	1,949.0	3.4
Goods-producing	349.7	329.9	6.0	343.0	5.2	352.7	4.2
Construction	83.5	80.2	4.1	82.6	5.2	84.1	2.5
Mining	7.4	7.1	3.5	7.1	-2.7	7.7	11.4
Manufacturing	258.8	242.6	6.7	253.3	5.4	260.8	4.6
Service-providing	1,287.5	1,238.0	4.0	1,266.7	3.0	1,296.6	3.6
Trade, Transportation & Utilities	416.6	404.6	3.0	413.2	2.8	411.8	0.2
Information	19.9	19.7	1.0	19.9	-0.5	19.9	-0.4
Finance	96.8	95.0	1.8	95.9	1.9	97.3	2.3
Business Services	217.5	209.6	3.7	211.3	0.8	220.2	6.6
Educational Services	283.8	277.0	2.5	282.3	2.5	283.4	0.8
Leisure and Hospitality Services	188.0	169.7	10.8	180.0	7.8	197.1	13.5
Other Services	65.1	62.4	4.2	64.1	4.1	66.8	5.5
Government	297.1	294.6	0.8	295.4	0.4	299.7	1.6
Personal Income ($ billions, AR)	226.6	221.2	2.4	225.2	2.1	230.2	2.4
Wages and Salaries	113.2	103.8	9.1	110.0	9.0	115.4	6.9
Transfer Receipts	58.1	63.3	-8.3	60.3	-9.3	58.5	-6.1
Dividends, Interest, and Rents	34.3	33.0	4.1	33.8	3.2	35.0	4.6
Supplements to Wages and Salaries	27.7	26.2	5.9	27.1	5.2	28.4	6.2
Proprietors' Income	15.2	15.8	-3.7	15.4	3.9	15.2	-2.7
Social Insurance	19.4	17.8	9.0	18.8	8.6	19.7	7.3
Residence Adjustment	-2.5	-3.0	NA	-2.6	NA	-2.5	NA

REVENUE RECEIPTS

GENERAL FUND
Third Quarter FY22

General Fund revenue growth has been surprisingly robust through the first nine months of FY22. Collections are up 13.6 percent year-to-date even though revenues last year were helped by federal stimulus payments. Additionally, FY21 collections included revenues from the bank franchise tax which has since been repealed. Receipts in the quarter were $3,220.9 million, which is $265.6 million more than what was received in the third quarter of FY21. The increases in collections were almost entirely from the individual income taxes and sales and use tax. Combined, these accounts grew by $355.5 million. The "other" category of receipts declined over last year primarily due to the repeal of the bank franchise tax. General Fund growth rates for the three quarters this year are 20.0 percent, 12.3 percent, and 9.0 percent, respectively.

Table 6
Summary General Fund Receipts
$ millions

	FY22 Q3	FY21 Q3	Diff $	Diff %
Individual Income	1,387.4	1,182.6	204.8	17.3
Sales & Use	1,207.9	1,057.2	150.7	14.3
Corp. Inc. & LLET	101.6	78.1	23.5	30.1
Property	170.8	174.8	-4.0	-2.3
Lottery	77.0	69.0	8.0	11.6
Cigarettes	74.6	78.0	-3.4	-4.3
Coal Severance	18.9	13.5	5.4	40.4
Other	182.6	302.2	-119.6	-39.6
Total	**3,220.9**	**2,955.4**	**265.6**	**9.0**

The individual income tax grew 17.3 percent in the third quarter of FY22. Receipts totaled $1,387.4 million compared to $1,182.6 million received in the third quarter of FY21. The three major components of the tax all increased in the quarter with the largest being withholding collections. For the just completed quarter, withholding receipts were up 13.3 percent, or $156.4 million more than last year. Net payments on returns were $27.8 million more favorable and estimated, or declaration payments, were up $19.3 million. The individual income tax is the largest tax account in the Commonwealth and made up just over 43 percent of total General Fund receipts in the third quarter.

Sales and use tax receipts were also strong in the third quarter, growing 14.3 percent compared to the third quarter of FY21. Collections were $1,207.9 million which exceeded prior year totals by $150.7 million. Quarterly growth rates for the tax have been 9.9 percent, 16.8 percent, and 14.3 percent this year, respectively.

Combined corporation income and LLET tax receipts have remained strong in FY22 after growing 38.1 percent in FY21. Through nine months in FY22 revenues have increased 42.5 percent. Receipts grew by $23.5 million compared to collections in the third quarter of FY21 as net returns on corporation income tax returns and LLET revenue helped offset a $10.7 million decline in corporate declaration payments.

Growth rates for the three quarters have been 76.0 percent, 22.9 percent, and 30.1 percent, respectively.

Property tax collections declined 2.3 percent, or $4.0 million, in the just completed quarter but year-to-date receipts have increased 4.2 percent. Real property and tangible motor vehicle receipts accounted for most of the gains. Growth rates for the three quarters in year have been 16.5 percent, 5.3 percent, and -2.3 percent, respectively.

Lottery receipts increased by 11.8 percent in the third quarter. Thus far in FY22, lottery dividend payments total $230.3 million, up $24.2 million compared to FY21.

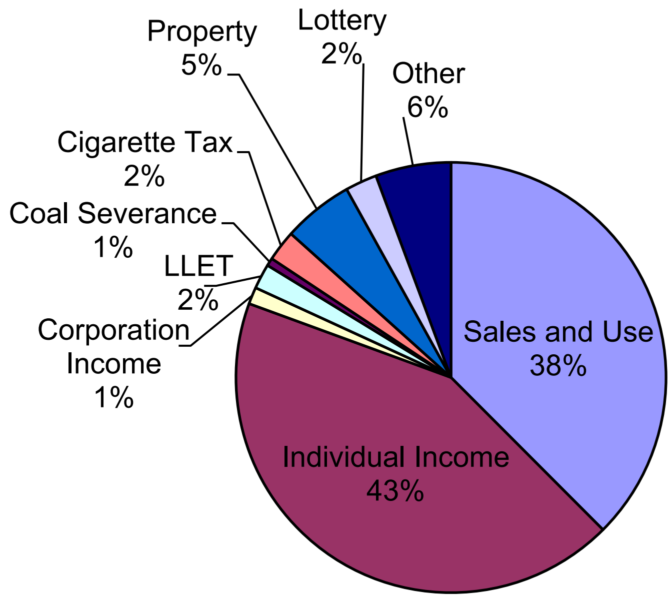
Cigarette tax receipts fell 4.3 percent to $74.6 million in the third quarter of FY22. Quarterly growth rates for this account have been -4.4 percent, -11.8 percent, and -4.3 percent, respectively

Coal severance tax receipts grew by $5.4 million in the just completed quarter, the fourth consecutive quarterly increase. Revenues totaled $18.9 million for the quarter, an increase of 40.4 percent. Year-to-date, coal receipts are up 16.4 percent.

The "other" category, which is composed of many smaller tax accounts, decreased 39.6 percent, or $119.6 million, largely due to the repeal of the bank franchise tax, which accounted for $106.8 million of the decline over last year. Third quarter receipts were $182.6 million.

Figure 1 shows the composition of General Fund revenues by tax type for the third quarter of FY22. Individual income tax and sales and use taxes made up 81 percent of General Fund tax receipts. The "other" category made up six percent of receipts in the third quarter. The next largest source of revenue is the property tax, which made up five percent of total receipts. Cigarettes and lottery dividends each made up two percent of the General Fund receipts. Corporate and LLET combined made up three percent of receipts. The coal severance tax made up one percent of total receipts.

Figure 1
Composition of Third Quarter FY22
General Fund Revenues



ROAD FUND
Third Quarter FY22

Total Road Fund receipts rose 5.2 percent during the third quarter of FY22, the largest percentage change in any quarter this year. The rate of growth in this account has been steady throughout the first nine months of FY22. The growth rates for the first three quarters of the fiscal year have been 3.5 percent, 2.8 percent, and 5.2 percent, respectively. Total receipts received in the third quarter were $405.6 million compared to last year's third quarter total of $385.7 million. Six of the seven accounts grew with motor fuels and motor vehicle usage tax collections accounting for $20.9 million of the increase. Investment income was the lone declining account, falling by $7.2 million. The remaining accounts had relatively small changes and taken as a whole rose by $6.2 million. Year-to-date Road Fund collections have grown 3.8 percent.

The official FY22 Road Fund revenue estimate calls for a 2.3 percent increase in revenue for the year. Based on year-to-date tax collections, revenues can decline by 1.6 percent in the final quarter of the fiscal year and still meet the revenue estimate. Summary data are contained in Table 2 and detailed data are shown in the Appendix.

For the quarter, motor fuels tax receipts grew 5.7 percent to $180.7 million. Collections in this account have been very consistent following a lackluster FY21, with growth rates of 4.9 percent, 4.7 percent, and 5.7 percent, respectively. Receipts were $9.8 million higher than the $171.0 million collected during the third quarter of last year. Year-to-date collections in this account have increased 5.1 percent.

Table 7 Summary Road Fund Receipts $ millions				
	FY22 Q3	FY21 Q3	Diff $	Diff %
Motor Fuels	180.7	171.0	9.8	5.7
Motor Vehicle Usage	153.8	142.7	11.1	7.8
Motor Vehicle License	33.1	32.6	0.4	1.4
Motor Vehicle Operators	8.7	5.4	3.3	61.3
Weight Distance	22.0	21.6	0.4	2.0
Income on Investments	-7.6	-0.4	-7.2	NA
Other	14.8	12.8	2.1	16.3
Total	**405.6**	**385.7**	**19.9**	**5.2**

Motor vehicle usage tax receipts have been surprisingly strong in FY22 growing at 4.6 percent through the first nine months of the year after increasing 10.2 percent for the same time period last year. Revenues were $153.8 million for the quarter compared to $142.7 million last year. Collections grew 7.8 percent for the quarter after growing 3.8 percent and 2.3 percent in the first two quarters, respectively.

Motor vehicle license tax receipts grew $400,000, or 1.4 percent, in the third quarter after falling in the first quarter of FY22. The early year decline was due to inflated FY21 receipts which were due to timing issues in the collections of the revenue. Year-to-date revenues have declined 6.1 percent.

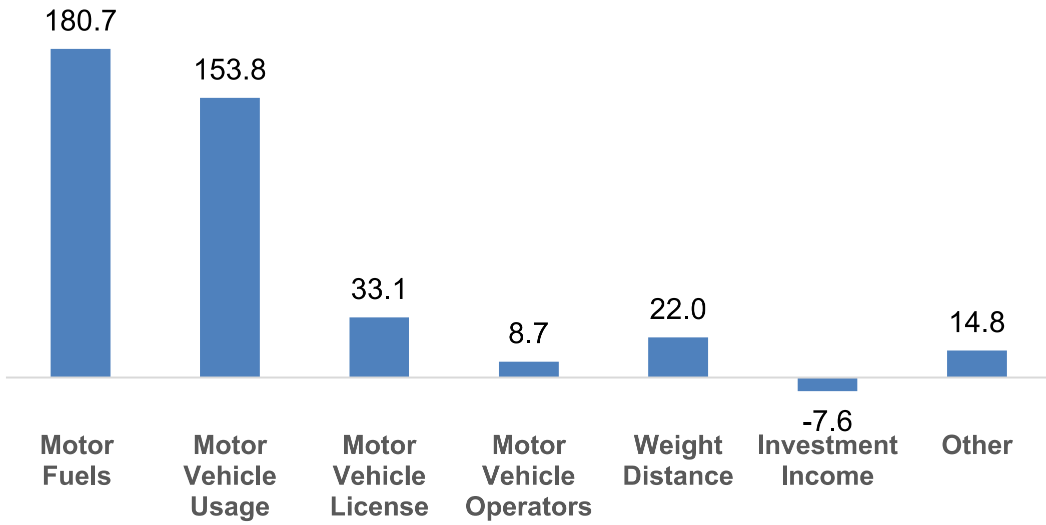
Motor vehicle operator's tax receipts were $8.7 million in the third quarter of FY22, a $3.3 million increase compared to collections a year ago. Receipts have increased $5.1 million for the year.

Weight distance tax receipts were $22.0 million in the quarter which represent a 2.0 percent increase compared to receipts collected during the third quarter of FY21. Receipts in this account have grown at moderate rates after strong growth in the first quarter. Growth rates for the three quarters and year-to-date are 15.0 percent, 2.3 percent, and 2.0 percent, respectively.

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 $14.8 million, which is $2.1 million more than FY21 levels.

Figure 2 shows the composition of Road Fund revenues by tax type in the third quarter. Because income on investment was negative for the quarter, the breakdown of the revenue accounts is shown in dollar amounts rather than percentages. The motor fuels tax and the motor vehicle usage tax are by far the largest components of the Road Fund. Together, they combined for $334.5 million of the $405.6 million collected. The next largest source of revenue was motor vehicle licenses at $33.1 million, followed by weight distance taxes with $22.0 million. The "other" category accounted for $14.8 million, while motor vehicle operators accounted for $8.7 million and income on investments was -$7.6 million.

Figure 2
Composition of Third Quarter FY22
Road Fund Revenues
millions of dollars



THE ECONOMY THIRD QUARTER FY22

NATIONAL ECONOMY

Real gross domestic product (real GDP) rose by 4.2 percent in the third quarter of FY22 over the third quarter of FY21. See Table 8. On an adjacent-quarter basis, real GDP rose by 0.2 percent in the third quarter of FY22 compared to the second quarter of FY22. This is the seventh consecutive quarter of real GDP growth following the end of the 2020 recession. Real GDP fell by $1.9 trillion in the two-quarter 2020 recession. Since then, real GDP has risen by $2.6 trillion. Real GDP has now risen a net 3.4 percent above the previous real GDP peak.

Real consumption grew 4.9 percent in the third quarter of FY22. Real consumption contributed the most to real GDP growth in absolute terms, growing $645.7 billion in the third quarter of FY22 compared to the third quarter of FY21. Real consumption, as the largest component of real GDP, often moves in tandem with real GDP, as it has for the last seven quarters. On an adjacent-quarter basis, real consumption has risen for the last seven consecutive quarters. The last seven adjacent-quarter growth rates are: 9.1, 0.8, 2.7, 2.9, 0.5, 0.8, and 0.7 percent, respectively. This is very similar to the growth rates for real GDP. Real consumption peaked in the second quarter of FY20 with $13,249.0 billion. By the third quarter of FY21, real consumption had surpassed its pre-recession peak with $13,282.7 billion. Real consumption is now $679.4 billion above its pre-recession peak. Real consumption made up 70.1 percent of real GDP in the third quarter of FY22.

Real investment grew 9.9 percent in the third quarter of FY22. Real investment is an acyclical component of real GDP, that is, it may go up or down, when real GDP is rising, and it may go up or down when real GDP is falling. Real investment has already bounced around several times since the end of the 2020 recession. Adjacent-quarter real investment growth rates for the last seven quarters are: 16.2, 5.7, -0.6, -1.0, 3.0, 7.5, and 0.3 percent, respectively. Those two declines were relatively small, so real investment has trended up over the last seven quarters. Real investment reached a peak before the 2020 recession with $3,535.9 billion. It had regained all those losses by the second quarter of FY21. Despite those two recent declines, real investment is $356.7 billion above its pre-recession peak. Real investment made up 19.6 percent of real GDP in the third quarter of FY22.

Real government expenditures fell by 0.8 percent in the third quarter of FY22. Real government expenditures used to be strictly countercyclical. That is, when real GDP rose, real government expenditures declined and when real GDP declined, real government expenditures rose. But that has not been true for some time. Real government expenditures have been largely acyclical or procyclical since 2000. In the first quarter of calendar year 2000, real government expenditures were $2,645.3

billion. In the third quarter of FY22, real government expenditures are $3,362.4 billion. That is a 27.1 percent net increase. Over the last seven quarters, adjacent-quarter real government expenditures growth rates were: -0.5, -0.1, 1.0, -0.5, 0.2, -0.6, and 0.1 percent, respectively. On net, just since the end of the 2020 recession, real government expenditures have gone up by $2.2 billion. Real government expenditures made up 16.9 percent of real GDP in the third quarter of FY22.

Total outlays declined 30.4 percent in the third quarter of FY22. See Table 9. Before the 2020 recession, total outlays were $4.8 trillion. Keep in mind, that outlays, unlike real GDP, contain all transfers from the federal government to individuals, from the federal government to corporations, and from the federal government to states. Total outlays surged to $9.1 trillion in the fourth quarter of FY20, following massive, unprecedented expenditure bills by Congress and the President. Then total outlays receded for the next two quarters to $6.0 trillion. Then total outlays spiked again to $8.1 trillion in the third quarter of FY21. Total outlays receded again for four straight quarters. Total outlays for the third quarter of FY22 are $5.6 trillion, which is still above the pre-recession level, but much lower than it was in the third quarter of FY21.

Almost all the spikes in total outlays occurred in the Federal Transfer Payments to Resident Persons category of outlays. Federal Transfer Payments to Resident Persons declined by 44.7 percent in the third quarter of FY22. Federal Transfer Payments to Resident Persons, like total outlays is still above its pre-recession level. Federal Transfer Payments to Resident Persons is now at $2.8 trillion, which is $454.7 billion above its pre-recession level.

Medicare and Social Security are two types of transfer payments to resident persons. Both outlays rose significantly over the last year. Medicare rose 7.3 percent in the third quarter of FY22, while Social Security rose 8.2 percent.

Interest on the national debt rose by 7.9 percent in the third quarter of FY22 over the third quarter of FY21. On an adjacent-quarter basis this is the fourth consecutive increase in the interest on the debt. It is currently hovering near the all-time high with $542.1 billion. The all-time high occurred in the fourth quarter of FY19 with $589.2 billion.

Real exports rose by 6.5 percent in the third quarter of FY22. While exports on net behave in a normal-goods fashion, they are reliant on the incomes of the various foreign countries with whom we trade. Therefore, it is not procyclical with US incomes, but usually procyclical with the aggregate foreign countries' incomes. Exports have been erratic in the last seven months as other countries are still dealing with the aftereffects of the 2020 recession and additional COVID-19 restrictions. The last seven adjacent-quarter growth rates are: 11.5, 5.2, -0.7, 1.8, -1.4, 5.4, and 0.5 percent, respectively. US exports are still well below their pre-recession level. Real exports made up 12.1 percent of real GDP in the third quarter of FY22.

Real imports rose by 9.6 percent in the third quarter of FY22. Real imports perform very similar to real consumption. Both are pro-cyclical. Real imports have risen on an adjacent-quarter basis for the last seven quarters. The last seven adjacent-quarter growth rates are: 17.3, 7.0, 2.2, 1.7, 1.2, 4.1, and 2.3 percent, respectively. Real imports, a deduction from real GDP, made up 19.3 percent of real GDP in the third quarter of FY22.

Prices have really started to increase across all goods. The CPI (for all goods) has grown 7.7 percent in the third quarter of FY22 over the third quarter of FY21. This is the highest inflation in the CPI since the second quarter of FY82. It is the 22nd highest inflation in the history of the CPI. The CPI for food has risen 7.3 percent in the third quarter of FY22 over the third quarter of FY21. The CPI for energy has increased 26.3 percent in the third quarter of FY22 over the third quarter of FY21. The core CPI, which excludes food and energy, rose by 6.2 percent in the third quarter of FY22.

The labor force increased by 2.3 percent in the third quarter of FY22. This is a reversal from just a year ago, when the labor force was contracting at a non-trivial rate. The number of employed in the labor force increased by 5.0 percent in the third quarter of FY22, while the number of unemployed in the labor force decreased by 35.5 percent. This too is a significant reversal, as the unemployed were rising at double-digit rates just a year ago.

US non-farm employment grew 4.6 percent in the third quarter of FY22. Employment growth has been solid for the last several quarters. The last seven adjacent-quarter growth rates are: 5.0, 1.4, 0.9, 1.0, 1.2, 1.2, and 1.1 percent, respectively. These are very robust adjacent-quarter growth rates, historically speaking. US non-farm employment gained a net 6.6 million jobs in the third quarter of FY22 compared to the third quarter of FY21. All 11 supersectors grew in the third quarter of FY22.

The biggest contributor to that growth over the last year has been the leisure and hospitality industry. Leisure and hospitality services employment grew by 16.9 percent in the third quarter of FY22 compared to the third quarter of FY21. That is a net increase of 2.2 million jobs. Leisure and hospitality was hit the hardest by the 2020 recession. Leisure and hospitality services employment made up 10.3 percent of total US non-farm employment in the third quarter of FY22. In the quarter before the 2020 recession, leisure and hospitality services employment made up 11.0 percent of total US non-farm employment.

US personal income declined by 3.6 percent in the third quarter of FY22. This was largely the result of the decline in transfer payments income in the third quarter of FY22 relative to the third quarter of FY21.

US Personal Income Shares During and After the 2020 Recession

	FY20 Q3	FY20 Q4	FY22 Q3
Wage & Salary	51.0	44.1	52.1
Transfer Payments	17.2	27.7	18.1
Dividends, Interest, Rents	19.6	17.8	17.9
Supplements to W&S	11.4	10.1	11.1
Proprietors	8.7	7.2	8.8
Social Insurance	7.8	6.9	8.0

In the fourth quarter of FY20, when the federal government first began to increase transfer payments to individuals and businesses, transfer payments income rose significantly to 27.7 percent of total US personal income. The shares of all other income sources declined. Since then, the transfer payments have abated, about one percent higher share than the pre-recession levels. The biggest shift in share occurred in the Dividends, Interest and Rents component, where the pre-recession share was 19.6 percent of total US personal income and the share in the third quarter of FY22 is 17.9 percent, a 1.7 percentage point share decline. All six income components are above their pre-recession levels in nominal terms.

Table 8
History of US Economic Variables

	FY21				FY22					
	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg	Q3	% chg
Real GDP ($ billions, AR)	19,055.7	0.5	19,368.3	12.2	19,478.9	4.9	19,810.6	5.6	19,857.8	4.2
Real Consumption	13,282.7	2.1	13,665.6	16.2	13,732.4	7.1	13,836.7	7.0	13,928.4	4.9
Real Investment	3,541.3	3.2	3,506.0	20.8	3,609.7	7.1	3,880.2	8.9	3,892.6	9.9
Real Government Expenditures	3,390.9	1.3	3,373.8	-0.1	3,381.6	0.6	3,359.7	0.1	3,362.4	-0.8
Real Exports	2,262.3	-7.4	2,304.2	18.6	2,273.0	4.9	2,396.6	5.2	2,409.0	6.5
Real Imports	3,488.4	6.2	3,548.7	30.6	3,589.6	12.6	3,738.3	9.6	3,822.9	9.6
CPI - All Goods (% chg)	1.9	NA	4.8	NA	5.3	NA	6.7	NA	7.7	NA
CPI - Food (% chg)	3.6	NA	2.3	NA	3.9	NA	5.9	NA	7.3	NA
CPI - Energy (% chg)	3.7	NA	25.8	NA	24.6	NA	30.7	NA	26.3	NA
Core CPI (% chg)	1.4	NA	3.7	NA	4.1	NA	5.0	NA	6.2	NA
Industrial Prod. Index (% chg)	-1.6	NA	14.7	NA	5.5	NA	4.6	NA	5.5	NA
Working Population (millions, NSA)	260.9	0.5	261.2	0.4	261.6	0.4	262.0	0.4	263.3	0.9
Civilian Labor Force	159.9	-2.2	161.1	1.8	162.0	0.7	161.9	0.9	163.6	2.3
Employed	149.5	-4.6	151.7	10.1	153.6	4.9	155.5	3.6	156.9	5.0
Unemployed	10.4	55.5	9.3	-54.3	8.4	-41.4	6.4	-38.8	6.7	-35.5
Not in Labor Force	101.0	5.0	100.2	-1.6	99.6	-0.1	100.1	-0.4	99.7	-1.3
Labor Force Participation Rate (%)	61.5	NA	61.6	NA	61.7	NA	61.8	NA	62.3	NA
Unemployment Rate (%)	6.2	NA	5.9	NA	5.1	NA	4.2	NA	3.8	NA
Housing Starts (millions, AR)	1.6	7.7	1.6	46.3	1.6	8.4	1.7	5.0	1.7	4.4

Table 9
US Federal Outlays
$ billions, AR

	Third Quarter			
	FY22	FY21	Chg	% Chg
Federal Outlays excl. Gross Investment	5,616.9	8,071.4	-2,454.5	-30.4
National Defense	725.0	707.4	17.6	2.5
Non-Defense Consumption	492.7	512.6	-19.9	-3.9
Federal Transfer Payments to Resident Persons	2,805.5	5,070.6	-2,265.1	-44.7
Medicare	873.8	814.1	59.6	7.3
Social Security	1,197.3	1,106.3	91.0	8.2
Social Insurance to Rest of the World	28.0	36.8	-8.8	-24.0
Grants-in-Aid to State & Local Govts	847.0	781.5	65.5	8.4
Medicaid	534.8	511.3	23.4	4.6
Non-Medicaid Grants to State & Local Govts	312.2	270.2	42.1	15.6
Aid to Foreign Govts	43.6	50.3	-6.7	-13.3
Interest on the Debt	542.1	502.5	39.6	7.9
Subsidies	133.0	403.8	-270.8	-67.1

Table 10
History of US Labor and Income Data

	FY21				FY22					
	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg	Q3	% chg
Non-farm Employment (millions, NSA)	143.7	-5.4	145.2	8.5	146.9	4.6	148.6	4.3	150.3	4.6
Goods-producing	20.1	-4.3	20.2	5.4	20.4	2.6	20.6	2.8	20.8	3.4
Mining	0.5	-19.8	0.6	-6.2	0.6	1.5	0.6	5.2	0.6	9.7
Construction	7.4	-3.0	7.4	7.1	7.4	2.6	7.5	2.4	7.6	3.3
Manufacturing	12.2	-4.2	12.3	4.9	12.4	2.7	12.5	2.9	12.6	3.1
Service-providing	101.8	-5.8	103.0	10.7	104.4	5.7	105.9	5.2	107.3	5.4
Trade, Transportation & Utilities	27.4	-1.4	27.6	9.2	27.8	4.5	28.1	3.8	28.4	3.6
Information	2.8	-4.9	2.8	6.8	2.9	7.9	2.9	7.1	2.9	6.1
Finance	8.7	-1.4	8.7	1.6	8.8	1.5	8.8	1.5	8.9	1.9
Business Services	20.9	-2.1	21.0	8.6	21.3	6.5	21.7	5.8	22.0	5.1
Educational Services	23.5	-4.2	23.6	6.4	23.7	2.9	23.9	2.4	24.1	2.6
Leisure and Hospitality Services	13.2	-21.0	13.8	35.7	14.4	14.9	14.9	14.3	15.4	16.9
Other Services	5.3	-9.7	5.4	12.9	5.5	4.2	5.6	4.7	5.6	5.5
Government	21.8	-4.4	22.0	1.8	22.1	1.4	22.1	1.8	22.2	1.8
Personal Income ($ billions, AR)	21,867.3	16.1	20,669.9	1.6	20,823.8	5.3	20,946.1	7.2	21,079.2	-3.6
Wages and Salaries	9,879.2	2.9	10,180.4	13.4	10,487.2	11.4	10,760.6	10.0	10,986.8	11.2
Transfer Receipts	5,982.5	85.1	4,329.0	-23.2	4,137.5	-5.3	3,943.7	5.7	3,818.3	-36.2
Dividends, Interest, and Rents	3,615.8	-2.0	3,648.4	0.8	3,674.1	3.0	3,734.4	3.2	3,774.2	4.4
Supplements to Wages and Salaries	2,209.7	2.7	2,236.2	9.1	2,269.3	6.6	2,299.6	5.4	2,332.4	5.6
Proprietors' Income	1,714.0	4.6	1,848.2	25.6	1,867.0	6.0	1,854.8	7.2	1,853.6	8.1
Social Insurance	1,533.8	4.2	1,572.2	11.8	1,611.3	10.5	1,647.0	9.7	1,686.0	9.9
Residential Adjustment	0.0	NA	0.0	NA	0.0	NA	0.0	NA	0.0	NA

KENTUCKY ECONOMY

Kentucky non-farm employment grew by 3.2 percent in the third quarter of FY22. Just like at the national level, this is a considerable turnaround from just one year ago, when Kentucky non-farm employment was falling significantly. The 2020 recession had a profound and abrupt effect on Kentucky non-farm employment, losing 12.3 percent, or 240,700 total jobs in one quarter. For the next seven quarters, Kentucky non-farm employment has grown. Workforce data indicates 85.1 percent of those jobs have been recovered by the end of March 2022. This forecast predicts a nearly full recovery of the 240,700 lost jobs by the end of calendar year 2022. The last eight adjacent-quarter growth rates for Kentucky non-farm employment are: -12.3, 6.8, 1.2, 0.3, 0.3, 0.6, 1.2, and 1.1 percent, respectively. Kentucky non-farm employment in the third quarter of FY20 was 1,952,900 jobs. Kentucky non-farm employment in the third quarter of FY22 was 1,917,100 jobs, which is 35,800 jobs below the pre-recession peak.

Leisure and hospitality services employment grew the fastest in both percentage and absolute terms. Leisure and hospitality services employment grew by 10.8 percent, or 18,000 jobs in the third quarter of FY22 over the third quarter of FY21. Leisure and hospitality employment has grown in six of the last seven quarters. The last seven adjacent-quarter growth rates are: 28.4, 1.2, -0.1, 1.8, 1.7, 1.3, and 5.7 percent, respectively. Leisure and hospitality services employment is still 18,400 jobs below its pre-recession peak, a little more than half of the jobs that have not yet recovered. Leisure and hospitality employment made up 9.6 percent of total Kentucky non-farm employment in the third quarter of FY22.

Kentucky manufacturing employment grew by 5.7 percent in the third quarter of FY22. That is a net increase of 13,700 jobs since the third quarter of FY21. Manufacturing employment has been increasing for the last seven quarters. The last seven adjacent-quarter growth rates are: 9.8, 1.7, 0.5, 0.4, 2.5, 0.7, and 2.0 percent, respectively. Manufacturing employment surpassed its pre-recession peak during the third quarter of FY22. Manufacturing employment made up 13.3 percent of total non-farm employment in the third quarter of FY22.

Mining employment declined by 3.6 percent, or 300 jobs, in the third quarter of FY22. The recession had quite an impact on mining employment. The last nine adjacent-quarter growth rates are: -10.6, -21.0, 5.8, 0.4, 0.5, -3.3, -1.8, -1.9, and 3.5 percent, respectively. Pre-recession mining employment was 9,800 jobs. Mining employment in the third quarter of FY22 was 7,100 jobs, or 2,700 jobs less than immediately prior to the 2020 recession. Mining employment is the smallest of the supersectors in Kentucky and made-up 0.4 percent of total Kentucky non-farm employment in the third quarter of FY22.

Kentucky personal income declined by 6.8 percent in the third quarter of FY22. While the year-over-year growth was a significant decline, personal income was effectively flat for the last three quarters. The last seven adjacent-quarter growth rates are: -7.5, 0.1, 14.7, -8.2, 1.6, -0.0004, and -0.1 percent, respectively. Kentucky personal income has grown a net 13.0 percent since the second quarter of FY20. Just over 91 percent of that growth came from wages and salaries and transfer receipts income.

Kentucky wages and salaries grew 9.1 percent in the third quarter of FY22. Kentucky wages and salaries has increased in every quarter since the 2020 recession ended. The last seven adjacent-quarter growth rates are: 6.6, 2.9, 1.2, 2.0, 2.8, 2.4, and 1.7 percent, respectively. Kentucky wages and salaries is now $13.0 billion above its pre-recession peak. Kentucky wages and salaries made up 49.4 percent of total personal income in the third quarter of FY22.

Kentucky transfer receipts income declined by 32.3 percent in the third quarter of FY22. Kentucky transfer receipts income is now $10.7 billion, or 22.2 percent, above its pre-recession peak. Transfer receipts income has risen and fallen numerous times in the last eight quarters. The last eight adjacent-quarters growth rates are: 70.7, -28.5, -7.0, 54.7, -27.0, 1.0, -5.0, and -3.4 percent, respectively. Kentucky transfers income made up 26.1 percent of total personal income in the third quarter of FY22.

Table 11
History of KY Labor and Income Data

	FY21				FY22					
	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg	Q3	% chg
Non-farm Employment (thousands, NSA)	1,857.0	-4.9	1,862.5	8.8	1,873.5	2.4	1,895.5	2.4	1,917.1	3.2
Goods-producing	327.8	-3.7	329.9	11.0	336.9	5.3	340.0	4.0	345.4	5.4
Mining	7.4	-15.6	7.1	3.3	7.0	-4.1	6.9	-6.3	7.1	-3.6
Construction	78.7	-3.4	80.2	7.1	81.3	6.8	82.8	4.8	82.9	5.3
Manufacturing	241.7	-3.4	242.6	12.6	248.6	5.1	250.4	4.1	255.4	5.7
Service-providing	1,236.0	-5.0	1,238.0	10.4	1,245.5	2.6	1,256.7	2.1	1,277.3	3.3
Trade, Transportation & Utilities	404.0	-0.4	404.6	7.3	407.7	2.6	414.6	3.2	414.1	2.5
Information	20.3	-5.7	19.7	1.0	19.8	0.2	20.1	-0.6	19.9	-2.3
Finance	95.4	0.7	95.0	4.7	95.4	3.6	94.9	1.2	96.4	1.0
Business Services	212.4	-2.4	209.6	8.8	207.1	0.4	206.2	-2.0	214.6	1.1
Educational Services	275.7	-5.1	277.0	7.5	279.5	2.4	282.9	2.4	282.8	2.6
Leisure and Hospitality Services	166.7	-17.6	169.7	32.1	172.6	4.7	174.8	4.7	184.7	10.8
Other Services	61.4	-10.4	62.4	12.8	63.4	4.0	63.2	2.8	64.7	5.3
Government	293.3	-5.8	294.6	0.3	291.2	-1.2	298.8	1.6	294.4	0.4
Personal Income ($ billions, AR)	241.1	20.1	221.2	-2.5	224.8	7.1	224.8	7.0	224.7	-6.8
Wages and Salaries	101.7	2.8	103.8	13.3	106.7	9.3	109.2	8.6	111.0	9.1
Transfer Receipts	86.7	75.6	63.3	-24.9	63.9	6.2	60.7	8.4	58.6	-32.3
Dividends, Interest, and Rents	32.7	-1.8	33.0	0.5	33.2	2.4	33.7	2.6	34.0	3.8
Supplements to Wages and Salaries	26.1	4.6	26.2	10.5	26.5	5.4	26.9	4.8	27.3	4.5
Proprietors' Income	14.4	6.6	15.8	22.6	15.8	12.1	15.4	1.8	15.3	6.4
Social Insurance	17.5	6.6	17.8	13.0	18.2	8.7	18.5	8.4	19.0	8.2
Residential Adjustment	-3.0	NA	-3.0	NA	-3.1	NA	-2.5	NA	-2.5	NA

APPENDIX

General Fund and Road Fund Revenue Receipts

THIRD QUARTER FY22

KENTUCKY STATE GOVERNMENT – GENERAL FUND REVENUE

	Third Quarter FY 2022	Third Quarter FY 2021	% Change	Year-To-Date FY 2022	Year-To-Date FY 2021	% Change
TOTAL GENERAL FUND	**$3,220,930,300**	**$2,955,379,404**	**9.0%**	**$10,253,769,396**	**$9,023,362,890**	**13.6%**
Tax Receipts	$3,146,274,786	$2,858,128,713	10.1%	$9,727,097,068	$8,720,995,565	11.5%
Sales and Gross Receipts	$1,435,845,430	$1,278,753,290	12.3%	$4,319,859,750	$3,878,836,472	11.4%
Beer Consumption	1,365,263	1,484,328	-8.0%	4,748,195	4,625,169	2.7%
Beer Wholesale	13,856,227	13,873,940	-0.1%	49,686,452	47,028,810	5.7%
Cigarette	74,644,402	78,038,950	-4.3%	240,594,388	258,833,333	-7.0%
Distilled Spirits Case Sales	46,569	46,716	-0.3%	164,066	148,543	10.5%
Distilled Spirits Consumption	4,162,446	4,044,952	2.9%	13,706,582	12,902,921	6.2%
Distilled Spirits Wholesale	16,661,220	14,443,333	15.4%	52,229,061	45,850,859	13.9%
Insurance Premium	70,114,647	66,315,809	5.7%	106,234,873	120,316,837	-11.7%
Pari-Mutuel	12,952,014	7,976,022	62.4%	33,441,870	19,549,973	71.1%
Race Track Admission	22,885	4,619	395.4%	105,875	9,915	967.8%
Sales and Use	1,207,925,163	1,057,219,883	14.3%	3,711,953,932	3,267,987,979	13.6%
Wine Consumption	850,728	859,898	-1.1%	2,533,511	2,606,705	-2.8%
Wine Wholesale	5,138,077	4,996,918	2.8%	15,499,859	14,898,051	4.0%
Telecommunications Tax	18,712,553	18,810,063	-0.5%	57,289,486	55,439,988	3.3%
Other Tobacco Products	9,408,303	10,637,696	-11.6%	31,695,985	28,630,524	10.7%
Floor Stock Tax	(15,067)	162	—	(24,385)	6,865	—
Natural Resources	**$27,956,103**	**$19,081,743**	**46.5%**	**$76,707,927**	**$62,093,579**	**23.5%**
Coal Severance	18,915,709	13,475,912	40.4%	49,209,412	42,270,698	16.4%
Oil Production	1,960,934	1,002,653	95.6%	5,190,749	2,663,111	94.9%
Minerals Severance	3,741,992	3,786,406	-1.2%	16,009,484	15,151,758	5.7%
Natural Gas Severance	3,337,468	816,771	308.6%	6,298,283	2,008,011	213.7%
Individual Income Tax	**$1,387,449,640**	**$1,182,613,320**	**17.3%**	**$3,929,515,515**	**$3,520,500,628**	**11.6%**
Withholding	1,328,606,567	1,172,200,073	13.3%	3,673,371,407	3,348,864,711	9.7%
Declarations	153,042,557	133,784,830	14.4%	326,287,036	301,972,457	8.1%
Net Returns	(93,829,448)	(121,631,381)	—	(69,263,639)	(127,901,225)	-45.8%
Fiduciary	(370,035)	(1,740,203)	—	(879,289)	(2,435,315)	—
Major Business Taxes	**$101,583,402**	**$78,067,216**	**30.1%**	**$679,494,920**	**$476,945,084**	**42.5%**
Corporation Income	41,035,933	23,020,278	78.3%	525,830,484	292,999,323	79.5%
LLET	60,547,469	55,046,937	10.0%	153,664,436	183,945,760	-16.5%
Property	**$170,818,798**	**$174,801,945**	**-2.3%**	**$649,239,132**	**$623,298,059**	**4.2%**
General - Real	73,585,038	82,618,574	-10.9%	320,242,701	312,030,855	2.6%
General - Tangible	25,575,528	32,528,395	-21.4%	118,890,232	118,417,044	0.4%
Tangible - Motor Vehicle	44,729,604	37,314,685	19.9%	117,846,347	108,438,696	8.7%
Omitted & Delinquent	7,873,869	4,207,732	87.1%	17,199,967	14,899,844	15.4%
Public Service	18,158,841	17,129,507	6.0%	72,145,618	66,921,242	7.8%
Other	895,918	1,003,052	-10.7%	2,914,267	2,590,378	12.5%
Inheritance Tax	**$17,048,510**	**$13,538,112**	**25.9%**	**$61,361,023**	**$42,799,072**	**43.4%**
Miscellaneous	**$5,572,903**	**$111,273,088**	**-95.0%**	**$10,918,801**	**$116,522,672**	**-90.6%**
License and Privilege	$512,229	$407,199	25.8%	1,231,192	1,210,481	1.7%
Bank Franchise	$534,000	$106,826,369	-99.5%	1,118,566	108,081,504	-99.0%
Legal Process	2,176,418	1,891,167	15.1%	7,621,203	5,812,416	31.1%
T. V. A. In Lieu Payments	2,308,855	2,143,950	7.7%	899,281	1,108,503	-18.9%
Other	41,401	4,404	—	48,559	309,768	-84.3%
Nontax Receipts	$74,404,952	$83,880,340	-11.3%	$520,036,366	$284,176,979	83.0%
Departmental Fees	3,504,184	3,039,772	15.3%	9,774,023	7,476,809	30.7%
PSC Assessment Fee	9,786	318	2976.2%	13,501,656	14,344,982	-5.9%
Fines & Forfeitures	4,299,424	2,774,948	54.9%	13,628,037	8,207,001	66.1%
Income on Investments	(1,236,406)	(142,061)	—	(1,853,844)	(614,629)	—
Lottery	77,000,000	69,000,000	11.6%	230,342,688	206,104,545	11.8%
Miscellaneous	(9,172,036)	9,207,363	—	254,643,806	48,658,271	423.3%
Redeposit of State Funds	**$250,562**	**$13,370,351**	**-98.1%**	**$6,635,962**	**$18,190,346**	**-63.5%**

KENTUCKY STATE GOVERNMENT – ROAD FUND REVENUE

	Third Quarter FY 2022	Third Quarter FY 2021	% Change	Year-To-Date FY 2022	Year-To-Date FY 2021	% Change
TOTAL STATE ROAD FUND	**$405,575,091**	**$385,658,431**	**5.2%**	**$1,220,727,253**	**$1,175,686,547**	**3.8%**
Tax Receipts-	**$405,151,079**	**$379,292,381**	**6.8%**	**$1,208,089,866**	**$1,155,704,895**	**4.5%**
Sales and Gross Receipts	**$334,524,456**	**$313,672,133**	**6.6%**	**$1,037,382,287**	**$989,256,450**	**4.9%**
Motor Fuels Taxes	180,741,516	170,984,175	5.7%	576,613,837	548,796,462	5.1%
Motor Vehicle Usage	153,782,940	142,687,959	7.8%	460,768,450	440,459,987	4.6%
License and Privilege	**$70,626,623**	**$65,620,247**	**7.6%**	**$170,707,579**	**$166,448,446**	**2.6%**
Motor Vehicles	33,051,522	32,608,001	1.4%	72,534,593	77,280,464	-6.1%
Motor Vehicle Operators	8,701,500	5,395,264	61.3%	20,499,477	15,389,087	33.2%
Weight Distance	22,021,845	21,598,975	2.0%	65,908,204	62,153,283	6.0%
Truck Decal Fees	32,700	18,720	74.7%	93,740	70,020	33.9%
Other Special Fees	6,819,057	5,999,287	13.7%	11,671,565	11,555,591	1.0%
Nontax Receipts	**$495,914**	**$6,234,068**	**-92.0%**	**$12,169,902**	**$19,687,824**	**-38.2%**
Departmental Fees	7,074,457	5,522,985	28.1%	18,316,647	15,912,920	15.1%
In Lieu of Traffic Fines	56,905	51,465	10.6%	176,330	146,295	20.5%
Income on Investments	(7,570,354)	(378,106)	—	(9,000,362)	(98,376)	—
Miscellaneous	934,906	1,037,723	-9.9%	2,677,288	3,726,985	-28.2%
Redeposit of State Funds	**($71,902)**	**$131,982**	**---**	**$467,485**	**$293,827**	**59.1%**

Glossary

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

Tables Notes

Table 3

Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars. Components do not sum to GDP because they are annualized independently.
Source: IHS Markit - Economics & Country Risk, March 9, 2022 data release.

Table 4

Not Seasonally Adjusted. Data for FY22 Q3 are March 2022 estimates.
Source: IHS Markit - Economics & Country Risk, March 9, 2022 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.
Data for FY22 Q3 are March 2022 estimates.
Source: IHS Markit - Economics & Country Risk, March 9, 2022 data release.

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

Table 8

Not Seasonally Adjusted.
Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis March 2022.

Table 10

Not Seasonally Adjusted. Data for FY22 Q3 are March 2022 estimates.
Source: IHS Markit - Economics & Country risk, March 9, 2022 data release.