Commonwealth of Kentucky

Quarterly Economic & Revenue Report

Third Quarter Fiscal Year 2023

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

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Governor

John Hicks
State Budget Director

Governor's Office for Policy and Management
Governor's Office for Economic Analysis
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April 28, 2023

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 condition for the third quarter of Fiscal Year 2023 (FY23). This report also provides an interim revenue and economic outlook for the next three fiscal quarters.

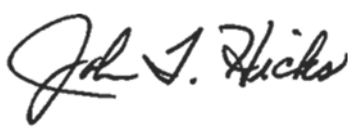
The enacted estimate for the General Fund listed in Table 1, $15,192.9 million, were agreed upon at the December 2022 meeting of the state Consensus Forecasting Group as modified by actions of the 2023 Regular Session of the General Assembly. The interim unofficial General Fund estimate for FY23 profiled in this report is $15,213.0 million, which would generate revenue of $20.1 million above the official estimate. Projected growth in the fourth quarter is -1.9 percent and annual growth for FY23 is predicted to be 3.5 percent.

Looking beyond FY23, estimates for the General Fund in the first half of FY24 total $7,753.7 million, or growth of 4.3 percent. By way of comparison, the CFG estimate from December 2022 projects FY24 growth of 1.7 percent.

The FY23 full-year Road Fund forecast is $28.3 million more than the enacted revenue estimate. The gasoline and special fuels taxes have increased two cents per gallon, effective March 1, due to the expiration of the emergency regulation which froze the variable rate on the motor fuels tax at 19.6 cents per gallon and the total rate of 26 cents per gallon for gasoline. Year-to-date motor fuels collections are 1.0 percent higher but are expected to grow 5.0 percent in the final quarter of the year and increase 11.8 percent over the first half of FY24.

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

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) is directed to report the actual revenue receipts from the just-concluded quarter, as well as the projected revenue receipts for the next three fiscal quarters. In fulfillment of this statutory requirement, OSBD submits this *Quarterly Economic and Revenue Report* for the third quarter of fiscal year 2023 (FY23). This interim outlook includes the actual quarterly revenue receipts and an economic snapshot of the third quarter of FY23. The report also includes a comprehensive revenue outlook for upcoming three fiscal quarters which make up the remainder of FY23 and the first half of FY24, as well as a US and Kentucky economic outlook for the same period. All estimates in this outlook extend from the fourth quarter of FY23 through the second quarter of FY24 (the forecasting horizon).

The official General Fund estimates displayed in Table 1 are from the December 2022 meeting of the state Consensus Forecasting Group (CFG), as modified by actions of the 2023 Regular Session of the General Assembly. The official estimate is $1.4 billion more than the estimate enacted by the 2022 Regular Session for the biennial budget.

Since the previous edition of the quarterly report, growth in the General Fund has remained quite strong. General Fund revenues grew 5.9 percent in the third quarter, marking the eleventh consecutive and 23rd time in the last 24 quarters in which collections have increased. The individual income tax predictably declined due to the reduction of the tax rate from 5.0 percent to 4.5 percent. However, growth in the sales and use tax and income on investments more than offset the decline in the individual income tax.

Projected General Fund Growth for the forecasting horizon

The unofficial interim estimate of $15,213.0 million suggests that General Fund revenues will exceed the latest enacted estimate by $20.1 million and will exceed the budget estimates by $1.4 billion. The FY23 enacted estimate following the 2023 Regular Session, highlighted in Table 1, is $15,192.9 million. The unofficial interim estimate is lower than the latest enacted estimate in the sales tax and major business taxes, and greater than the latest enacted estimate in the individual income tax, property tax, coal severance tax, and the "other" group of accounts. Looking ahead beyond FY23, estimates for the General Fund in the first half of FY24 total $7,753.7 million, or growth of 4.3 percent. By way of comparison, the CFG estimate from December 2022 projects FY24 growth of 1.7 percent compared to FY23.

Projected Road Fund Growth for the forecasting horizon

After a weak first quarter, Road Fund revenue growth has accelerated and stands at 4.1 percent year-to-date with most of these revenue gains concentrated in motor vehicle usage tax collections and income on investments. The FY23 unofficial interim estimate for the Road Fund is $1,749.3 million. The FY23 latest enacted estimate is $1,721.0 million. Receipts are forecasted to increase over the next three quarters, primarily due to an increase in the motor fuels tax rate as well as continued strong motor vehicle sales in the motor vehicle usage account. The unofficial interim forecast for FY23 is $28.3 million more than the enacted estimate.

Projected Economic Conditions

Real GDP is forecasted to decline 0.1 percent in the fourth quarter of FY23, rounding out the fiscal year of 0.4 percent rate growth. Real GDP is expected to slip 0.2 percent in the first half of FY24, compared to the same periods one year prior. Real GDP declined by small amounts in both the second and third quarters of FY23. Real GDP is expected to fall by another 0.1 percent in the fourth quarter of FY23. Over the entire forecast horizon real GDP is expected to decrease by 0.2 percent.

Real consumption in the US grew by 1.1 percent in the third quarter of FY23 compared to the third quarter of FY22. Current economic projections indicate that real consumption will begin to fade in the outlook periods. Growth in US real consumption is projected to increase 0.8 percent in the fourth quarter of FY23, followed by 0.6 percent growth in the first half of FY24. Since real consumption is roughly 70 percent of real GDP, slower growth in real consumption has a corresponding dampening effect on real GDP.

Projected economic conditions for Kentucky indicate a modest expansion over the forecasting horizon. Employment and personal income are expected to show modest growth in the near term, with some softening in the first half of FY24. Kentucky personal income is poised to continue its positive trend of growth, increasing 4.1 percent during the final quarter of FY23, and 3.9 percent for the first half of FY24. Wages and salaries, the largest component of Kentucky personal income, is anticipated to increase by a solid 6.4 percent in the fourth quarter of FY23 and maintain a moderate pace of 5.0 percent through December 2023. If the forecasted gains materialize, wages and salaries will have increased for fourteen consecutive quarters on an adjacent-quarter basis.

Third Quarter General Fund and Road Fund Revenues

General Fund revenues continue to grow at a surprising rate given the strength of prior year collections and the lower individual income tax rate. Third quarter receipts grew 5.9 percent following a fiscal year in which collections rose 14.6 percent, a 31-year high. Receipts in the third quarter were $3,412.0 million, $191.1 million more than what was received in the third quarter of FY22. The increases in collections were almost entirely from the sales and use tax account, and “other” receipts. Combined, these accounts grew by $220.0 million. Due to the lower income tax rate, the individual income tax was the biggest decliner bringing in $45.9 million less than in the previous year. General Fund growth rates for the three quarters this year have 3.8, 7.6, and 5.9 percent, respectively.

Total Road Fund receipts rose 5.7 percent during the third quarter of FY23. While not as strong as the 7.3 percent increase in the second quarter, it was improvement on the 0.3 percent decline in the first quarter. Total Road Fund collections have increased 4.1 percent through the first three quarters of the year. Total receipts received in the third quarter were $428.7 million compared to last year’s third quarter total of $405.6 million. Motor vehicle usage and income on investments combined for an increase of $27.7 million. Four of the seven accounts had declines in collections; however, each was relatively small and combined, they were $5.8 million less than the third quarter of FY22.

Economic Conditions for the Third Quarter of FY23

Real GDP declined by 0.1 percent in the third quarter of FY23 compared to the third quarter of FY22. However, on an adjacent-quarter basis, the basis used to determine turning points in the US economy and to determine recessions, real GDP has declined for two consecutive quarters in a row, falling 0.1 percent in the second quarter of FY23 and declining 0.5 percent in the third quarter of FY23. Declines in real consumption, real investment, and real exports contributed to the decline in real GDP in the third quarter. Real investment fell the most, losing 10.4 percent compared to the third quarter of FY22 and losing 2.5 percent compared to the second quarter of FY23.

Total US non-farm employment rose 1.9 percent in the third quarter of FY23. All 11 supersectors gained jobs in the third quarter. Mining employment rose by the most in percentage terms, growing 5.6 percent in the third quarter, while educational services employment increased by the most in absolute terms, gaining 900,000 jobs in the third quarter. US personal income rose by 5.6 percent in the third quarter of FY23 compared to the third quarter of FY22. This was the seventh consecutive adjacent-quarter increase in US personal income. All five contributing components of personal income rose in the third quarter. Dividends, interest, and rents income rose the most, gaining 9.7 percent over the third quarter of FY22.

Kentucky non-farm employment rose by 2.2 percent in the third quarter of FY23 over the third quarter of FY22. This is the eleventh consecutive adjacent-quarter improvement for Kentucky non-farm employment. Ten of the 11 supersectors improved in the third quarter of FY23. The biggest mover on a percentage basis is leisure and hospitality service employment, which rose 5.4 percent, or 10,400 jobs. The biggest mover in absolute terms was educational services employment, which gained 11,100 jobs, or 3.9 percent in the third quarter of FY23 compared to the third quarter of FY22. Kentucky personal income rose 4.5 percent in the third quarter of FY23 over the third quarter of FY22. Kentucky personal income has risen for seven consecutive quarters on an adjacent-quarter basis. Kentucky wages and salaries income rose by 6.7 percent in the third quarter of FY23 over the third quarter of FY22. The only declining income component was transfer receipt income, which fell 0.2 percent in the third quarter of FY23 over the third quarter of FY22.

REVENUE & ECONOMIC OUTLOOK

GENERAL FUND

The Interim Outlook represents unofficial estimates prepared pursuant to KRS 48.400(2). Forecasted revenues presented in Table 1 are projected using the March 2023 “control scenario” economic forecast from both S&P Global and the Kentucky MAK model as the primary inputs. S&P Global has placed a 55 percent probability on their "control scenario" as being the most likely economic outcome, relative to the pessimistic (25 percent) and optimistic (20 percent) scenarios. All estimates in this outlook extend from the fourth quarter of FY23 through the second quarter of FY24 (the forecasting horizon).

The latest enacted estimates listed in Table 1 are from the December 2022 meeting of the state Consensus Forecasting Group, as revised by actions from the 2023 Regular Session of the General Assembly. The unofficial interim estimate is $1.4 billion more than the budget estimate enacted by the 2022 Regular Session for the biennial budget

Table 1
General Fund Interim Forecast
$ millions

	FY23						FY23		FY24	
	Q1, Q2, & Q3		Q4		Full Year		Enacted		Q1 & Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Individual Income	4,102.9	4.4	1,926.3	-9.1	6,029.2	-0.3	5,831.1	198.1	2,736.6	-0.9
Sales & Use	4,109.3	10.7	1,504.0	11.3	5,613.3	10.9	5,683.1	-69.8	3,042.7	10.0
Corp. Inc. & LLET	699.7	3.0	418.0	-17.6	1,117.7	-5.8	1,279.0	-161.3	591.5	-1.1
Property	696.1	7.2	73.8	-1.1	769.9	6.4	759.4	10.5	535.4	3.7
Lottery	247.3	7.4	89.7	38.7	337.0	14.2	337.0	0.0	174.3	6.4
Cigarettes	223.3	-7.2	79.9	-4.7	303.2	-6.6	303.8	-0.6	146.0	-6.0
Coal Severance	73.9	50.2	31.3	45.8	105.2	48.9	88.9	16.3	66.6	42.6
Other	697.1	-8.7	240.5	5.5	937.6	-5.4	910.6	27.0	460.6	7.2
General Fund	**10,849.5**	**5.8**	**4,363.5**	**-1.9**	**15,213.0**	**3.5**	**15,192.9**	**20.1**	**7,753.7**	**4.3**

The interim estimate predicts that General Fund revenues will exceed the FY23 latest enacted estimate by $20.1 million. When combining the first three quarters of actual receipts with the estimate for the fourth quarter, the interim forecast predicts FY23 General Fund revenue of $15,222.0 million, or growth of 3.5 percent. The current enacted estimate for FY23, highlighted in Table 1, is $15,192.9 million. Estimates for the General Fund in the first half of FY24 total $7,753.7 million, or growth of 4.3 percent. By way of comparison, the December 2022 CFG estimate for the entirety of FY24 projects growth of 1.7 percent.

Each fiscal year, the fourth quarter of collections typically yields the highest total quarterly amount of General Fund revenues. In FY22, for instance, the fourth quarter represented 30.3 percent of total annual receipts. The fourth quarter makes up the highest percentage of annual receipts primarily because of the individual income tax and the major business taxes. Payments attached to timely-filed tax returns from the prior tax year are due in April for individuals and businesses filing on a calendar year return. Moreover, estimated payments for the current tax year are due in April and June, so two of the four estimated quarterly payments occur in the final quarter of the fiscal year.

Third quarter receipts grew 5.9 percent following a fiscal year in which collections rose 14.6 percent, a 31-year high. The increase in collections was almost entirely from the sales and use, and "other" receipts. Combined, these accounts grew by $220.0 million. On the negative side, the individual income tax brought in $45.9 million less than in the previous year due to the acceleration of refunds and the rate reduction from 5.0 percent to 4.5 percent which took effect in January 2023. General Fund growth rates for the three quarters this year were 3.8, 7.6, and 5.9 percent, respectively, with FY23 growth standing at 5.8 percent through the first three quarters. Counting the three quarters of growth in FY23, the General Fund has now risen in eleven consecutive quarters dating back to the beginning of FY21.

Receipts for the fourth quarter of FY23 are expected to decline 1.7 percent because the fourth quarter of FY22 was an extraordinary quarter, especially for the income and profits-based taxes. Individual income tax receipts rose an astounding 30.5 percent, while the major business taxes grew 24.9 percent. Both the individual income tax and major business taxes are expected to fall in the fourth quarter of FY23, given the high base of comparison.

Individual income receipts are projected to fall 8.9 percent in the final quarter of FY23 primarily due to the 10 percent reduction in the individual income tax rate effective January 1, 2023. On an economic basis, withholding is poised to increase as Kentucky wages and salary income is expected to rise 6.4 percent in the fourth quarter. The healthy growth in Kentucky wages and salary income is expected to carry into the first half of FY24, leading individual income tax receipts to fall just 0.9 percent despite the 10 percent reduction to the tax rate. The forecast for the fourth quarter would lead to individual income tax annual collections of $6,029.2 million, $198.1 million over the enacted estimate.

Sales and use tax receipts are expected to rise 11.8 percent to close out FY23. When combined with the 10.7 percent growth from the first three quarters of FY23, annual growth in the sales tax is expected to be 11.0 percent. Growth at that level would constitute a third consecutive year in which the sales tax has grown over 10 percent. Legislation enacted in 2021 added 34 new categories of services to the sales and use tax, effective January 1, 2023. Recently, the 2022 session of the General Assembly reversed the taxability of a few services, such as marketing services. The fiscal impact of the base broadening is $43.9 million for activity occurring between January and June of 2023. Despite the 11.0 percent estimated growth in FY23, the sales tax is expected to fall short of the enacted estimate by $69.8 million. Double-digit growth is expected to continue in the sales tax through the first half of FY24 with an expected increase of 10.0 percent.

Business taxes (corporation income tax plus the limited liability entity tax) grew 34.4 percent in FY22 following a 38.1 percent surge in FY21. Collections of $1,186.6 million in FY22 shattered the record set in FY21 for combined business taxes that previously dated back to the final implementation of corporate tax changes in FY06. The corporation income tax and the LLET receipts have risen 3.0 percent through the first three quarters of FY23, but the growth is expected to give way in the fourth fiscal quarter with a projected decline of 17.6 percent. The anticipated drop in major business taxes is almost solely a function of the high base of comparison from the fourth quarter of FY22. If receipts come in at the forecasted level, the major business taxes will fall short of the enacted estimate by $161.3 million in FY23. The outlook for the first half of FY24 calls a slight decline of 1.1 percent.

Total property tax receipts have exceeded expectations with growth of 7.2 percent through the first three quarters of FY23. In a typical year, roughly 90 percent of the property tax collections for the fiscal year are already in the bank going into the final quarter. In FY22, for instance, only 10.3 percent of the annual total was remitted in the fourth quarter. This interim forecast calls for collections of $73.8 million in the remaining months of FY23 to end the year at $769.9 million, which is $10.5 million greater than the enacted estimate. Growth of 3.7 percent is expected in the first half of FY24.

Lottery revenues deposited into the General Fund for FY22 were $295.0 million, 2.0 percent higher than the $289.1 million deposited in FY21. In FY21, an additional $58 million in lottery dividends was received but for the first time was diverted to a separate account as required by the budget bill. In FY22, an extra $52.3 million in lottery dividends was also diverted to the separate account. Together, over $110.3 million of the lottery dividend has been deposited into a trust and agency account rather than deposited into the General Fund. The General Fund projection for FY23 is $337.0 million, based on the budget bill which caps the amount of lottery fund flow to the General Fund. Given the sales and income reports from the Kentucky Lottery through March, the current expectation is that there will be another deposit into the trust and agency account that will be used for future appropriations by the General Assembly.

Cigarette tax receipts continue to be collected at the rate of $1.10 per pack, effective July 1, 2018. Cigarette taxes were the only major account to decline in FY22, falling 7.3 percent. Other tobacco products (an account in "other" that also includes vaping products) grew by 7.8 percent and partially offset the decline in cigarette taxes. For FY23, cigarette tax collections have continued to plummet, falling 7.2 percent through the first three quarters. The forecasting horizon anticipates further declines of 4.7 percent in the final quarter of FY23 followed by a continuation of declining receipts with a 6.0 percent drop in the first half of FY24. Despite the large declines in the cigarette tax, receipts are expected to equal $303.2 million, a sum $0.6 million below the enacted estimate of $303.8 million.

Coal severance tax receipts dipped by 4.7 percent in FY21 following an annual decline of 36.7 percent in FY20. Since FY21, however, coal severance revenues have seen a resurgence with growth of 26.0 percent in FY22. Increasing receipts have continued into FY23, with year-to-date growth of 50.2 percent. The forecast calls for strong growth over the forecasting horizon with receipts rising 45.8 percent in the fourth quarter of FY23 and 42.6 percent in the first half of FY24. If receipts track with expectations in the fourth quarter, FY23 collections will exceed the enacted forecast by $16.3 million. Coal severance taxes in Kentucky are benefiting from the rise in energy prices worldwide, including the global prices of coal, natural gas, and oil.

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 “other” accounts totaled $991.5 million in FY22. Other revenues declined by 8.7 percent through the first three quarters of FY23 due to the high base from FY22. A $225 million one-time legal settlement was posted in September 2021 as a miscellaneous receipt in the “other” category. Most accounts in the “other” category have experienced solid growth in the first three quarters of FY23, but the collective strength in other tax receipts was masked by the magnitude of the FY22 settlement. Each account was recalibrated based on year-to-date performance. The single largest growing account contributing to FY23 receipts is income on investments. In FY22, income on investments was only $0.6 million for the entire year. The amount has grown exponentially to a level of $88.1 through the first nine months of FY23. The dramatic increase on the income on investments stems from prior year surpluses that were deposited into the State’s “Rainy Day Fund”. That fund is invested in a short-term pool. Given recent movements in interest rates, especially short rates, the Commonwealth’s income from investments is much higher income than in prior years. Due in large part to the income from investments, the “other” accounts are expected to total $937.6 million in FY23, exceeding the enacted estimate by $27.0 million

ROAD FUND

After a weak first quarter where receipts fell 0.3 percent, Road Fund revenue growth has accelerated and stands at 4.1 percent year-to-date, more than twice the rate of growth experienced in FY22. Receipts are forecasted to increase at an even faster rate over the next three quarters, primarily due to an increase in the motor fuels tax rate as well as continued strong motor vehicle sales. After the first quarter decline, revenues grew at 7.3 percent and 5.7 percent in the next two quarters. The majority of the revenue gains in the first nine months of FY23 are concentrated in motor vehicle usage tax collections and income on investments. Together, they account for an additional $40.7 million in receipts. Fourth quarter Road Fund revenues should grow at a slightly faster pace (5.2 percent) before increasing to 8.7 percent in the first half of FY24. The FY23 unofficial interim forecast is $28.3 million more than the enacted budget forecast that followed the 2022 Regular Session of the General Assembly.

Table 2
Road Fund Interim Outlook
$ millions

	FY23						FY23		FY24	
	Q1, Q2, & Q3		Q4		Full Year		Official		Q1 & Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Motor Fuels	582.6	1.0	208.0	5.0	790.6	2.1	833.8	-43.1	450.5	11.8
Motor Vehicle Usage	487.9	5.9	178.2	5.9	666.1	5.9	603.7	62.4	339.0	6.3
Motor Vehicle License	76.5	5.5	49.2	-3.7	125.7	1.7	119.4	6.4	43.5	2.7
Motor Vehicle Operators	21.3	3.8	7.8	-2.4	29.1	2.1	27.1	2.0	14.7	3.0
Weight Distance	66.2	0.4	21.5	1.0	87.7	0.6	94.6	-6.9	44.4	-0.6
Income on Investments	4.5	-150.3	2.8	-237.5	7.3	-166.2	0.1	7.2	3.0	NA
Other	32.2	-3.6	10.6	7.4	42.8	-1.1	42.4	0.4	21.0	5.7
Road Fund	**1,271.2**	**4.1**	**478.1**	**5.2**	**1,749.3**	**4.4**	**1,721.0**	**28.3**	**916.0**	**8.7**

Motor fuels tax collections have been tepid throughout the current year but are forecasted to improve over the final three months and into FY24. Revenue growth has been limited this year due to an emergency regulation filed by Governor Beshear to freeze the gasoline and special fuels tax rates due to inflation and surging gas prices. The gasoline and special fuels taxes have increased two cents per gallon, effective March 1, due to the expiration of the emergency regulation. Additionally, in FY24, the tax rates are forecasted to increase an additional two cents per gallon, to 30 cents per gallon of gasoline. Year-to-date collections are 1.0 percent higher than FY22 but are expected to grow 5.0 percent in the final quarter of the year and increase 11.8 percent over the first half of FY24.

Motor vehicle usage tax collections have been stronger than expected this year with revenues increasing 5.9 percent year-to-date. The forecast calls for an identical rate of growth in the final quarter of the year and then increasing slightly to a rate of 6.3 percent over the first two quarters of FY24.

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 3.7 percent in the final quarter of FY23 but increase 2.7 percent in the first two quarters of FY24. Motor vehicle operators' licenses are projected to decline 2.4 percent for the remainder of the fiscal year and grow 3.0 percent over the first six months of FY24. Weight distance tax revenue is forecast to increase 1.0 percent in the final quarter of the fiscal year but decrease 0.6 percent in the first half of FY24. Investment income receipts were $4.5 million over the first nine months of the fiscal year and receipts are expected to be positive with revenues of $2.8 million in the fourth quarter and $3.0 million through the first half of FY24. All other revenues have declined 3.6 percent during the first three quarters of the current fiscal. However, receipts in this revenue category are expected to increase over the next three months before growing 5.7 percent in the first half of FY24.

NATIONAL ECONOMIC OUTLOOK

The forecast of the national economy used in this quarterly report is the S&P Global control scenario for March 2023. After a tepid first quarter of real GDP of 1.8 percent growth in FY23, the second and third quarters of FY23 were either flat or declining. Continued high inflation rates indicate that downside risks to the economy remain elevated over the forecast horizon. Uncertainty remains high regarding both the pace of economic growth and the speed of disinflation over the near term. In addition, a slower than anticipated rise in unemployment suggests more inflation pressure from tight labor markets are expected.

Real GDP is forecasted to decline 0.1 percent in the fourth quarter of FY23, rounding out the fiscal year of 0.4 percent rate growth. Real GDP is expected to slip 0.2 percent in the first half of FY24, compared to the same periods one year prior. Real GDP declined by small amounts in both the second and third quarters of FY23. Real GDP is expected to fall by another 0.1 percent in the fourth quarter of FY23. Over the entire forecast horizon real GDP is expected to decrease by 0.2 percent.

Real consumption grew by 1.1 percent in the third quarter of FY23 compared to the third quarter of FY22. Current economic data indicates that real consumption will begin to fade in the outlook periods. Growth in real consumption is projected to increase 0.8 percent in the fourth quarter of FY23, followed by 0.6 percent in the first half of FY24. Since real consumption is roughly 70 percent of real GDP, slower growth in real consumption has a corresponding dampening effect on real GDP.

Real investment is expected to decline sharply over the three-quarter forecast horizon, falling 8.9 percent in the final three months of FY23, followed by a further decline of 5.0 percent in the first six months of FY24. Weaker expectations for real consumption have a dampening effect on real investment. Since current sales help form the expectations for future sales, businesses pare down expansions to productive capacity when current consumption wanes due to falling demand. The lower internal rate of return on business planned investment, paired with the recent jump in borrowing costs and the tightening of bank lending standards, have combined to soften expected growth of real investment spending.

Real exports are poised to grow the most in percentage terms, increasing 2.6 percent in the fourth quarter of FY23, compared to the same period one year prior. Real exports are projected to rise 6.3 percent in the full year of FY23. Real exports are projected to flatten in the first half of FY24. Despite showing positive growth in the first half of FY23, real exports in the third quarter of FY23 are still just $10.4 billion higher than pre-recession levels. Real exports have been above pre-recession levels since the first quarter of FY23. Real imports, a deduction from real GDP, are expected to drop 2.1 percent in the final quarter of FY23 but still end the fiscal year with 1.7 percent growth. Real imports are expected to edge up 0.1 percent in the first half of FY24 as real consumption weakens in the broader economy.

The housing starts forecast is essentially unchanged from the previous quarterly economic report published in January. US housing starts are expected to plummet 27.6 percent during the final quarter of FY23 and decline 17.5 percent in the first half of FY24. Mortgage rates surged in 2022. Further increases in inflation caused long-term yields to rise, which caused mortgage rates to rise yet again. As the Fed stiffens its monetary policy, mortgage rates are expected to stay elevated or slightly rise over the outlook periods. Weakness in the banking sector, coupled with increasingly high underwriting standards, have also served to dampen demand for housing starts.

The US unemployment rate remains historically low. US total non-farm employment is projected to edge up 0.5 percent, an increase of 800,000 jobs by June of 2023. The outlook forecast calls for a 1.2 percent drop in total non-farm employment in the first and second quarters of FY24, compared to the same periods one year prior. The anticipated slack in the jobs market accounts for the loss of 1.9 million US non-farm employment positions in the first half of FY24.

The forecast for personal income shows a 4.9 percent increase in the fourth quarter of FY23 and 4.1 percent increase in the first half of FY24. Wages and salaries continue to underpin personal income growth with a 4.6 percent projected increase in the fourth quarter of FY23, followed by 2.9 percent in the first half of FY24. The wages and salaries component of US personal income represents 51 percent of the total. In percentage terms, dividends, interest, and rents is anticipated to post the highest growth in the fourth quarter of FY23, gaining 9.3 percent and 8.8 percent in the first and second quarters of FY24. The dividends, interest, and rents component of US personal income comprises approximately 20 percent of the total.

Table 3
US Economic Outlook
Interim Forecast

	Q4			Full Year		Q1 & Q2	
	FY23	FY22	% chg	FY23	% chg	FY24	% chg
Real GDP	19,879.6	19,895.3	-0.1	19,950.5	0.4	19,966.2	-0.2
Real Consumption	14,214.7	14,099.5	0.8	14,188.5	1.4	14,255.1	0.6
Real Investment	3,413.4	3,747.0	-8.9	3,536.4	-6.1	3,442.0	-5.0
Real Govt. Expenditures	3,445.8	3,379.5	2.0	3,422.9	0.6	3,459.3	1.6
Real Exports	2,582.3	2,516.9	2.6	2,592.4	6.3	2,602.6	0.0
Real Imports	3,863.0	3,947.5	-2.1	3,874.6	1.7	3,878.2	0.1
CPI all goods (% chg)	4.2	8.6	NA	6.6	NA	8.0	NA
CPI Food (% chg)	6.4	10.0	NA	9.1	NA	10.7	NA
CPI Energy (% chg)	-8.9	35.4	NA	8.9	NA	21.4	NA
CPI Core (% chg)	5.1	6.0	NA	5.9	NA	6.3	NA
Industrial Production Index (% chg)	-0.7	4.5	NA	2.1	NA	3.8	NA
Unemployment Rate (%)	4.7	3.6	NA	4.0	NA	5.5	NA
Housing Starts (millions, NSA)	1.2	1.6	-27.6	1.3	-20.2	1.2	-17.5

Table 4
US Labor and Income Outlook
Interim Forecast

	Q4			Full Year		Q1 & Q2	
	FY23	**FY22**	**% chg**	**FY23**	**% chg**	**FY24**	**% chg**
Non-farm Employment (millions, NSA)	152.4	151.6	0.5	153.0	2.4	151.2	-1.2
Goods-producing	21.0	21.0	-0.3	21.2	2.2	20.6	-3.2
Construction	7.5	7.6	-1.5	7.7	1.6	7.4	-3.7
Mining	0.6	0.6	2.4	0.6	6.5	0.6	2.5
Manufacturing	12.8	12.8	0.3	12.9	2.5	12.5	-3.3
Service-providing	108.9	108.3	0.5	109.4	2.7	108.0	-1.3
Trade, Transportation & Utilities	28.6	28.7	-0.2	28.7	1.6	28.2	-2.0
Information	3.0	3.0	-0.2	3.0	3.2	2.9	-3.0
Finance	8.8	8.9	-1.6	8.9	0.6	8.8	-2.3
Business Services	21.7	22.2	-2.3	22.3	2.1	20.9	-6.8
Educational Services	25.0	24.3	2.9	24.8	3.6	25.0	1.4
Leisure and Hospitality Services	16.1	15.6	3.6	15.9	5.5	16.4	3.8
Other Services	5.7	5.7	0.1	5.7	2.0	5.7	0.1
Government	22.5	22.2	1.5	22.4	1.3	22.6	1.2
Personal Income ($ billions, AR)	22,683.2	21,625.5	4.9	22,351.0	5.0	22,999.0	4.1
Wages and Salaries	11,614.3	11,108.4	4.6	11,482.0	6.3	11,717.4	2.9
Transfer Receipts	4,019.5	3,883.2	3.5	3,966.4	0.3	4,082.9	4.0
Dividends, Interest, and Rents	4,478.8	4,098.9	9.3	4,332.0	7.9	4,595.0	8.8
Supplements to Wages and Salaries	2,460.3	2,360.5	4.2	2,428.8	5.0	2,480.8	3.2
Proprietors' Income	1,850.6	1,835.4	0.8	1,859.8	2.9	1,875.7	0.5
Social Insurance	1,740.2	1,660.9	4.8	1,718.1	6.6	1,752.8	3.1
Residence Adjustment	0.0	0.0	NA	0.0	NA	0.0	NA

KENTUCKY ECONOMIC OUTLOOK

Projected economic conditions for Kentucky point to a modest expansion over the three-quarter forecasting horizon. Both the employment forecast and the projections for personal income point higher in the near term, with a slight softening of growth rates for the first half of FY24.

Kentucky personal income is poised to continue its positive trend of growth, increasing 4.1 percent during the final quarter of FY23, and 3.9 percent for the first half of FY24. Wages and salaries, the largest component of Kentucky personal income, is anticipated to increase by a solid 6.4 percent in the fourth quarter of FY23 and maintain a moderate pace of 5.0 percent through December 2023, which ends the second quarter of FY24. Achieving the forecasted gains would mark the fourteenth consecutive increase in adjacent-quarter wages and salaries.

The strong growth of Kentucky wages and salaries continues to underpin the withholding component of the individual income tax and sales and use tax receipts. General Fund revenues grew $191.1 million during the third quarter of FY23. Despite the 10 percent reduction to the rate of income tax withholding that began on January 1, withholding only fell 1.0 percent. Sales and use tax receipts grew by 11.2 percent during the quarter, as the combination of higher wages and salaries and the lower individual income tax rate spurred taxable consumption.

In the attempt to slow the economy and rein in inflation, the Federal Reserve has aggressively raised interest rates. In March 2023 the Federal Reserve raised the fed funds rate by 25 basis points from 4.75 percent to 5 percent, matching the February increase, while pushing borrowing costs to new highs since 2007. As inflation continues to weigh heavily on the economy, certain employment sectors are expected to become strained during the forecasting horizon.

Kentucky's total non-farm employment is projected to edge up 37,000 jobs by June of 2023 from FY22 fourth quarter levels and then fall 3,100 jobs in the first and second quarters of FY24. Employment is expected to increase for nine of Kentucky's 11 major nonfarm North American Industry Classification System (NAICS) job supersectors in the fourth quarter of FY23. The employment landscape indicates a slight reversal in the first and second quarters of FY24, as total non-farm employment is expected to increase for only five of Kentucky's 11 major nonfarm NAICS job sectors.

The goods-producing sectors are expected to decrease by 0.1 percent in the fourth quarter of FY23 and by 1.7 percent in the first half of FY24, with the most pronounced job loss forecasted in manufacturing employment. Employment in Kentucky's manufacturing sector is expected to drop by approximately 500 jobs, or 0.2 percent in the final quarter of FY23, compared to the same period one year prior. Entering the two quarters of FY24, manufacturing employment is anticipated to decline 1.7 percent, a loss of 4,400 jobs, compared to the first and second quarters of FY23. Employment is expected to remain relatively unchanged in the final quarter of FY23 for both the construction and mining job sectors in Kentucky, increasing 0.3 percent and 0.5 percent, respectively. A decline of 1.5 percent, or a loss of 1,200 construction jobs is forecasted in the first and second quarters of FY24, compared to one year ago. Likewise, mining employment is expected to decline 2.1 percent, accounting for a loss of 200 jobs.

In contrast to the goods-producing sectors, the service-providing employment sectors are expected to increase by 2.4 percent in the fourth quarter of FY23 and by 0.9 percent in the first half of FY24. In percentage and nominal terms, the leisure and hospitality employment sector is anticipated to incur the quickest growth in the fourth quarter of FY23, gaining 7.0 percent or 13,500 jobs. Further recovery is anticipated in the leisure and hospitality employment sector spanning the first two quarters of FY24, growing an additional 4.3 percent.

The outlook estimates represent a noteworthy increase for government employment in Kentucky. Government employment is forecasted to grow by 5,900 jobs, or 2.0 percent in the final quarter of FY23. Entering the first half of FY24, the government sector is poised to gain an additional 7,100 jobs, or 2.4 percent, compared to the first and second quarters of FY23. Government employment includes federal, state, and local government employees employed within the physical boundary of Kentucky.

Table 5
KY Labor and Income Outlook
Interim Forecast

	Q4			Full Year		Q1 & Q2	
	FY23	FY22	% chg	FY23	% chg	FY24	% chg
Non-farm Employment (thousands, NSA)	1,991.0	1,954.0	1.9	1,982.6	2.4	1,987.9	0.6
Goods-producing	341.9	342.1	-0.1	344.8	2.7	341.1	-1.7
Construction	82.1	81.9	0.3	82.8	2.1	81.9	-1.5
Mining	8.2	8.2	0.5	8.3	6.3	8.2	-2.1
Manufacturing	251.5	252.0	-0.2	253.6	2.7	251.0	-1.7
Service-providing	1,345.2	1,314.0	2.4	1,336.9	2.7	1,341.1	0.9
Trade, Transportation & Utilities	421.3	422.8	-0.4	424.6	1.1	418.8	-1.9
Information	21.4	21.2	1.0	21.6	3.4	21.4	-2.1
Finance	97.8	97.0	0.9	97.1	0.5	97.0	0.6
Business Services	235.2	228.4	3.0	232.0	3.3	234.0	2.1
Educational Services	296.9	286.1	3.8	293.6	3.3	297.4	2.2
Leisure and Hospitality Services	206.2	192.8	7.0	201.2	5.7	205.8	4.3
Other Services	66.4	65.7	1.0	66.9	3.3	66.5	-0.6
Government	303.9	298.0	2.0	300.9	0.9	305.7	2.4
Personal Income ($ billions, AR)	242.5	232.8	4.1	239.3	4.0	245.7	3.9
Wages and Salaries	119.8	112.6	6.4	117.5	7.2	121.5	5.0
Transfer Receipts	61.6	61.2	0.7	61.4	-1.9	62.4	2.1
Dividends, Interest, and Rents	38.3	36.4	5.1	37.6	4.7	38.9	5.0
Supplements to Wages and Salaries	29.8	28.4	5.1	29.3	5.5	30.3	4.8
Proprietors' Income	17.1	17.0	0.5	17.2	5.4	17.3	0.4
Social Insurance	19.9	18.7	6.3	19.5	7.3	20.2	5.1
Residence Adjustment	-4.3	-4.1	NA	-4.2	NA	-4.5	NA

REVENUE RECEIPTS

GENERAL FUND
Third Quarter FY23

General Fund revenues for FY23 continue to grow at a surprising rate given the strength of FY22 collections as well as legislation which lowered individual income tax rates beginning January 1, 2023. Third quarter receipts grew 5.9 percent following a year in which collections rose 14.6 percent, a 31-year high. Receipts in the quarter were $3,412.0 million, $191.1 million more than what was received in the third quarter of FY22. The increases in collections were almost entirely from the sales and use, and "other" receipts. Combined, these accounts grew by $220.0 million. On the negative side, the individual income tax brought in $45.9 million less than in the previous year. Growth rates for the three quarters this year have been 3.8, 7.6, and 5.9 percent, respectively.

As expected, the individual income tax brought in less revenue than in the same period last year. Revenues fell 3.3 percent in the third quarter with receipts of $1,341.5 million, largely due to the earlier refunds and to legislation which lowered the tax rate from 5 percent to 4.5 percent. All four components of the tax experienced declines in the quarter as net returns and withholding collections fell a combined $40.5 million. Fiduciary collections were $4.3 million less than what was received in FY22 while declaration payments were $1.1 million less.

Table 6
Summary General Fund Receipts
$ millions

	FY23 Q3	FY22 Q3	Diff $	Diff %
Individual Income	1,341.5	1,387.4	-45.9	-3.3
Sales & Use	1,343.2	1,207.9	135.3	11.2
Corp. Inc. & LLET	101.5	101.6	-0.1	-0.1
Property	179.8	170.8	9.0	5.3
Lottery	83.5	77.0	6.5	8.4
Cigarettes	68.0	74.6	-6.7	-8.9
Coal Severance	27.2	18.9	8.3	43.7
Other	267.3	182.6	84.7	46.4
Total	**3,412.0**	**3,220.9**	**191.1**	**5.9**

Sales and use tax receipts continued to be strong, growing 11.2 percent in the third quarter and standing at 10.7 percent year-to-date. Revenues in this account were aided by the addition of 34 new categories of services added to the list of taxable services. Collections were $1,343.2 million which exceeded prior year totals by $135.3 million. Quarterly growth rates for the tax have been 12.8, 8.2, and 11.2 percent, respectively for this year.

Combined corporation income and LLET tax receipts have fallen in the past two quarters after strong growth in the first quarter. Through nine months in FY23 revenues have increased 3.0 percent. Receipts in the third quarter were essentially flat with collections of $101.5 million which were $55,000 less than in the prior year. Growth rates for the three quarters have been 16.0, -9.2, and -0.1 percent, respectively.

Property tax collections rose 5.3 percent, or $9.0 million, in the just completed quarter while year-to-date receipts have increased 7.2 percent. Real, motor vehicle, and omitted and delinquent property receipts accounted for most of the growth in the quarter, increasing a combined $23.5 million. This offset a decline of $12.3 million in public service collections. Growth rates for the three quarters this year have been 7.8, 7.9, and 5.3 percent, respectively.

Lottery receipts increased by 8.4 percent in the third quarter. Thus far in FY23, lottery dividend payments total $247.3 million, which is up 7.4 percent compared to FY22.

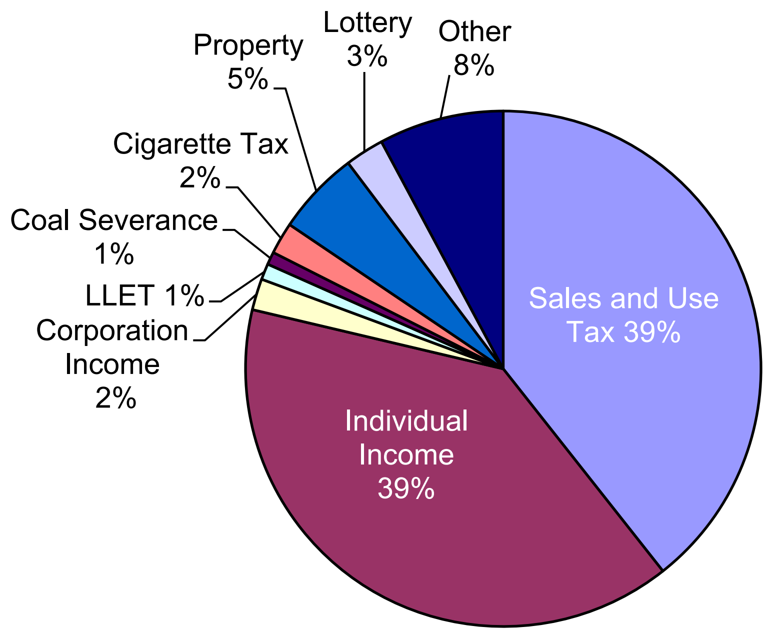
Cigarette tax receipts fell 8.9 percent to $68.0 million in the third quarter of FY23. Quarterly growth rates for this account have been -3.4, -9.5, and -8.9 percent, respectively.

Coal severance tax receipts continue to be strong. Revenues grew 26.0 percent in FY22 and are up 50.2 percent through the first nine months of FY23. Revenues totaled $27.2 million for the quarter, an increase of 43.7 percent. Growth rates for the three quarters this year have ranged between 41.0 percent to72.2 percent.

The "other" category, which is composed of many smaller tax accounts, rose 46.4 percent, or $84.7 million for the quarter. Third quarter receipts were $267.3 million. Most of the growth in the "other" category came from income on investments, which was $51.7 million more than received last year. Additionally, miscellaneous revenues were $19.0 million more than in the prior year.

Figure 1 shows the composition of General Fund revenues by tax type for the third quarter of FY23. Individual income tax and sales and use taxes made up 78 percent of General Fund tax receipts. The "other" category made up eight 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. Major business taxes and lottery dividends each made up three percent of the General Fund receipts. Cigarette taxes were two percent and the coal severance tax made up one percent of total receipts.

Figure 1
Composition of Third Quarter FY23
General Fund Revenues



ROAD FUND
Third Quarter FY23

Total Road Fund receipts rose 5.7 percent during the third quarter of FY23, slightly below the 7.3 percent increase in the second quarter. The rate of growth in this account has rebounded nicely following a lackluster 0.3 percent decline in the first quarter. Total receipts received in the third quarter were $428.7 million compared to last year's third quarter total of $405.6 million. Four of the seven accounts had declines in collections; however, each was relatively small and combined, they were $5.8 million less than the third quarter of FY22. On the positive side, motor vehicle usage and income on investments combined for an increase of $27.7 million. Year-to-date Road Fund collections have grown 4.1 percent.

Table 7
Summary Road Fund Receipts
$ millions

	FY23 Q3	FY22 Q3	Diff $	Diff %
Motor Fuels	179.7	180.7	-1.1	-0.6
Motor Vehicle Usage	169.1	153.8	15.3	10.0
Motor Vehicle License	34.2	33.1	1.1	3.4
Motor Vehicle Operators	7.0	8.7	-1.7	-19.3
Weight Distance	21.5	22.0	-0.5	-2.3
Income on Investments	4.8	-7.6	12.4	NA
Other	12.3	14.8	-2.5	-16.9
Total	**428.7**	**405.6**	**23.1**	**5.7**

The FY23 enacted Road Fund revenue estimate calls for a 2.7 percent increase in revenue for the year. Based on year-to-date tax collections, revenues can decline 1.1 percent in the final quarter of the fiscal year and still meet the revenue estimate. Summary data are contained in Table 7 and detailed data are shown in the Appendix.

For the quarter, motor fuels tax receipts declined 0.6 percent, or $1.1 million, to $179.7 million. Collections have declined less than one percent in the first and third quarters with growth of 4.3 percent in the second quarter. Growth in collections has been limited through the first three quarters as the tax rate was unchanged from FY22 due to the promulgation of an emergency regulation freezing the rate. Year-to-date collections in this account have increased 1.0 percent.

Motor vehicle usage tax receipts have been surprisingly strong, with the rate of growth increasing in each of the first three quarters. Revenues were $169.1 million for the quarter, an increase of $15.3 million over FY22 levels. Collections increased 10.0 percent for the quarter after growing 2.2 percent and 5.7 percent, respectively in the first two quarters.

Motor vehicle license tax receipts have increased in each quarter of FY23, growing $1.1 million, or 3.4 percent, in the third quarter. The early-year declines were due to inflated FY22 receipts which was due to timing issues in the collections of the revenue. Year-to-date revenues in this account have grown 5.5 percent.

Motor vehicle operator's tax receipts were $7.0 million in the third quarter, a $1.7 million decrease compared to collections a year ago. Receipts have increased 3.8 percent for the year.

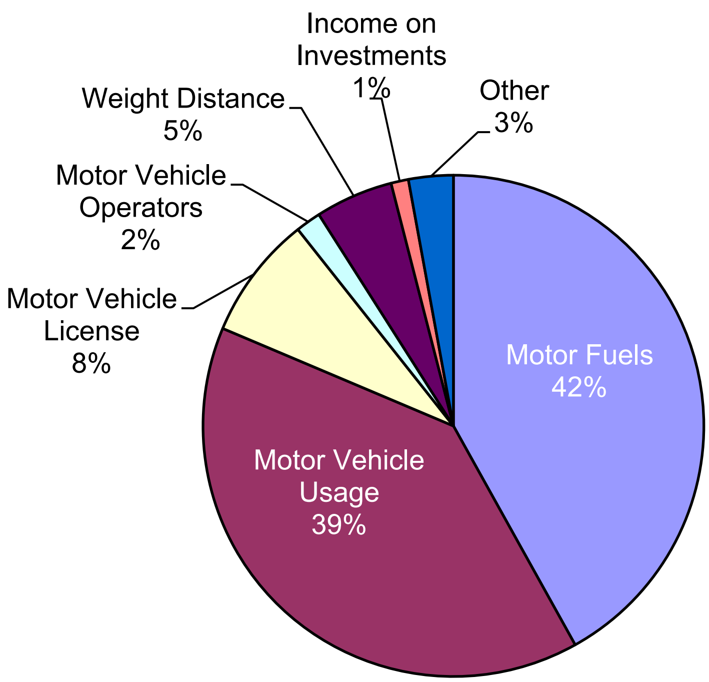
Weight distance tax receipts have weakened in each of the first three quarters of FY23. Collections grew in the first two quarters relative to prior year totals but declined in the third quarter. Revenues for the quarter were $500,000 less than last year. Growth rates for the three quarters were 2.8, 0.7, and -2.3 percent, respectively – with annual growth through that period now standing at 0.4 percent.

Much like the General Fund, another source of Road Fund revenue that made a large contribution to third quarter growth was income on investments. In the third quarter of FY22, income on investments for the Road Fund was negative $7.6 million. The third quarter of FY23 saw revenues of positive $4.8 million, a swing of $12.4 million.

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 $12.3 million, $2.5 million less than FY22 levels.

Figure 2 shows the composition of Road Fund revenues by tax type in the third 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 $348.8 million of the $428.7 million collected. The next largest source of revenue was motor vehicle licenses at $34.2 million, followed by weight distance taxes with $21.5 million. The "other" category accounted for $12.3 million, while motor vehicle operators accounted for $7.0 million and income on investments was $4.8 million.

Figure 2
Composition of Third Quarter FY23
Road Fund Revenues



THE ECONOMY
THIRD QUARTER FY23

NATIONAL ECONOMY

Real gross domestic product (real GDP) declined by 0.1 percent in the third quarter of FY23 compared to the third quarter in FY22. Real GDP declined by 0.5 percent in the third quarter of FY23 compared to the second quarter of FY23. This represents a small deepening of the losses in the second quarter. Real GDP declined by 0.03 percent in the second quarter of FY23 compared to the second quarter of FY22. Real GDP declined by 0.1 percent in the second quarter of FY23 compared to the first quarter of FY23. Third quarter growth is an S&P Global estimate. Official real GDP for the third quarter will not be available until April 27, 2023. If the S&P Global estimate becomes reality, then that will be two consecutive quarters of real GDP declines, which is the official Bureau of Economic Analysis (BEA) and the National Bureau of Economic Research (NBER) definition of a recession. Real GDP declined by 0.4 percent in the third quarter of FY22 and by 0.1 percent in the fourth quarter of FY22. These two adjacent-quarter declines in real GDP still have not been declared as a recession by NBER, as of March 27, 2023. If the S&P Global forecast becomes reality, that will be four declines during the last five consecutive quarters. It is not clear if NBER is waiting for the end of this string of declines before pulling the trigger and calling it an official recession. The last seven adjacent-quarter growth rates for real GDP are: 0.7, 1.7, -0.4, -0.1, 0.6, -0.1, and -0.5 percent, respectively.

Real consumption grew by 1.1 percent in the third quarter of FY23 compared to the third quarter of FY22. Real consumption declined by 0.1 percent in the third quarter of FY23 compared to the second quarter of FY23. This is the first time that real consumption has declined since the fourth quarter of FY20. The loss to real GDP in the third quarter of FY23 compared to second quarter was -$99.1 billion. Real consumption declined by $15.4 billion in the third quarter of FY23 compared to the second quarter. This represents roughly one-sixth of the total decline in real GDP for the third quarter. Real consumption made up 71.3 percent of real GDP in the third quarter of FY23.

Real investment fell 10.4 percent in the third quarter of FY23 over the third quarter of FY22. Real investment has dropped 2.5 percent in the third quarter of FY23 compared to the second quarter of FY23. This is the fourth consecutive decline of real investment on a quarter-to-quarter basis. The last five adjacent-quarter growth rates for real investment are: 1.3, -3.7, -2.2, -2.4, and -2.5 percent, respectively. Real investment in the third quarter of FY23 has dropped a net $403.8 billion compared to third quarter of FY22. Real investment was by far the largest contributor to the third quarter decline of real GDP. Real investment made up 17.5 percent of real GDP in the third quarter of FY23.

Real government expenditures rose by 1.3 percent in the third quarter of FY23 over the third quarter of FY22. Real government expenditures rose by 0.8 percent in the third quarter of FY23 compared to the second quarter of FY23. This is the third consecutive quarter that real government expenditures have increased. The last four consecutive adjacent-quarter real government expenditures growth rates are: -0.4, 0.6, 0.3, and 0.8 percent, respectively. The National Bureau of Economic Analysis, the official arbiter of turning points in the US economy, has stated that the US economy reached a trough in April of 2020 and is still currently in an expansion period. During the 11 quarters since that trough, real government expenditures have declined seven times and increased four times. This is further evidence that real government expenditures have become an acyclical series. Real government expenditures made up 17.3 percent of real GDP in the third quarter of FY23.

Total outlays rose by 3.4 percent in the third quarter of FY23 over the third quarter of FY22. It is hard to get a good read on how high outlays are historically-speaking. It is a monotonically increasing series, so it rises over time. Part of that upward drift is because it is a nominal series. That is, it is not adjusted for inflation. Just prior to the recession, total US outlays were hovering just above $4.8 trillion. Then suddenly US outlays jumped to $8.9 trillion in the fourth quarter of FY20 following the massive increases in Federal Transfer Payments to Resident Persons, Grants-in-Aid to State and Local Governments, and Subsidies. In one quarter, total US outlays increased by 82.5 percent. In the following two quarters, outlays declined some. However, total US outlays still have not gone back down to pre-recession levels. Currently, outlays are still 25.0 percent above pre-recession levels. It would have taken 5.75 years for outlays to reach that level at the pre-recession rate of growth. So clearly, outlays are still well above their trend from the period prior to the recession. Outlays are not just up from a year ago, but also increased relative to the previous quarter. Outlays rose 1.4 percent in the third quarter of FY23 compared to the second quarter of FY23.

Five of the eight major outlays increased in the third quarter of FY23. Total outlays rose $201.9 billion in the third quarter of FY23. The largest contributing outlay was Interest on the Debt, which grew $180.7 billion, or 30.0 percent, in the third quarter of FY23 compared to the third quarter of FY22. The second largest contributing outlay was Social Security, which grew $144.1 billion, or 12.0 percent, in the third quarter of FY23 compared to the third quarter of FY22. There were several declining outlays in the third quarter as well. The largest declining outlay was Medicaid, which declined $36.8 billion, or 6.2 percent, from the third quarter of FY22 to the third quarter of FY23. Social Security made up 22.0 percent of total US outlays in the third quarter of FY23. Medicaid made up 9.1 percent of total US outlays, while Interest on the Debt made up 12.9 percent of total US outlays in the third quarter of FY23.

Real exports grew by 6.0 percent in the third quarter of FY23 over the third quarter of FY22. However, most of that growth occurred three and four quarters ago. Real exports fell 0.8 percent in the third quarter of FY23 compared to the second quarter of FY23. The last seven quarters of adjacent-quarter real export growth are: -0.3, 5.4, -1.2, 3.3, 3.4, -0.1, and -0.8 percent, respectively. Real export growth has been turbulent over the last three years with a slight U-shaped growth pattern during that time. In fact, real exports in the third quarter of FY23 are $10.4 billion lower than pre-recession levels. Real exports made up 13.0 percent of real GDP in the third quarter of FY23.

Real imports declined by 1.0 percent in the third quarter of FY23 over the third quarter of FY22. Real imports are down compared to a year ago but improved slightly compared to the second quarter. Real imports rose 0.3 percent in the third quarter compared to the second quarter of FY23. This is a continuation of the upward trend in real imports since the end of the 2019 recession. The last seven adjacent-quarter growth rates for real imports are: 1.6, 4.4, 4.3, 0.6, -1.8, -0.1, and 0.3 percent, respectively. Real imports are up a net $480.0 billion compared to pre-recession levels. Real imports, which is a deduction from the real GDP identity, made up 19.5 percent of real GDP in the third quarter of FY23.

Total non-farm employment rose 1.9 percent in the third quarter of FY23 compared to the third quarter of FY22. On an adjacent-quarter basis, non-farm employment declined by 0.1 percent in the third quarter of FY23 compared to the second quarter of FY23. This is the first adjacent-quarter decline following 10 consecutive quarters of growth for non-farm employment. The last seven adjacent-quarter growth rates are: 1.2, 1.2, 1.2, 0.8, 0.8, 0.4, and -0.1 percent, respectively.

All 11 supersectors grew in the third quarter of FY23 compared to the third quarter of FY22. Mining employment rose by the most in percentage terms, growing 5.6 percent in the third quarter of FY23 over the third quarter of FY22. US Mining employment is the smallest of the 11 supersectors, making up just 0.4 percent of total US non-farm employment. Educational services employment grew by the most in absolute terms, gaining 900,000 jobs in the third quarter of FY23 compared to the third quarter of FY22. This is the eleventh consecutive adjacent-quarter increase for educational services employment. The last seven adjacent-quarter growth rates are: 0.5, 0.6, 0.8, 0.9, 1.2, 0.9, and 0.8 percent, respectively. Educational services employment made up 16.3 percent of total US non-farm employment in the third quarter of FY23.

US personal income rose by 5.6 percent in the third quarter of FY23 compared to the third quarter of FY22. This was the seventh consecutive adjacent-quarter increase for US personal income. The last seven adjacent-quarter growth rates for US personal income are: 0.4, 0.7, 0.7, 1.4, 1.3, 1.7, and 1.0 percent, respectively. All five contributing components of personal income rose in the third quarter of FY23 compared to the third quarter of FY22. See table 10.

The biggest mover in the third quarter of FY23 was dividends, interest and rents income, which rose by 9.7 percent in the third quarter of FY23 over the third quarter of FY22. This was the tenth consecutive quarter of growth for dividends, interest, and rents income on an adjacent-quarter basis. The last seven adjacent-quarter growth rates are: 0.9, 1.3, 0.4, 2.1, 1.7, 2.7, and 2.9 percent, respectively. Dividends, interest, and rents income made up 19.6 percent of total personal income in the third quarter of FY23.

Table 8
History of US Economic Variables

	FY22				FY23					
	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg	Q3	% chg
Real GDP ($ billions, AR)	19,924.1	3.7	19,895.3	1.8	20,021.7	1.8	20,000.0	0.0	19,900.8	-0.1
Real Consumption	14,028.4	4.8	14,099.5	2.4	14,149.0	2.0	14,202.8	1.6	14,187.4	1.1
Real Investment	3,892.5	11.6	3,747.0	7.2	3,665.2	2.3	3,578.3	-6.9	3,488.7	-10.4
Real Government Expenditures	3,393.4	-1.6	3,379.5	-1.3	3,399.8	-0.6	3,408.8	-0.1	3,437.0	1.3
Real Exports	2,436.9	5.2	2,516.9	7.3	2,603.2	11.3	2,601.8	5.5	2,582.2	6.0
Real Imports	3,925.6	12.7	3,947.5	11.2	3,877.2	7.5	3,873.5	2.9	3,884.7	-1.0
CPI - All Goods (% chg)	8.0	NA	8.6	NA	8.3	NA	7.7	NA	6.3	NA
CPI - Food (% chg)	7.9	NA	10.0	NA	11.2	NA	10.3	NA	8.7	NA
CPI - Energy (% chg)	28.4	NA	35.4	NA	25.5	NA	17.5	NA	6.5	NA
Core CPI (% chg)	6.3	NA	6.0	NA	6.3	NA	6.3	NA	5.9	NA
Industrial Prod. Index (% chg)	4.8	NA	4.5	NA	4.4	NA	3.3	NA	1.4	NA
Working Population (millions, NSA)	263.3	0.9	263.7	0.9	264.2	1.0	264.7	1.0	266.1	1.1
Civilian Labor Force	163.6	2.3	164.2	2.0	164.9	1.8	164.4	1.6	166.0	1.5
Employed	156.9	5.0	158.4	4.4	158.9	3.5	158.9	2.2	159.7	1.8
Unemployed	6.7	-35.5	5.8	-37.9	6.0	-28.5	5.5	-14.0	6.3	-6.3
Not in Labor Force	99.7	-1.3	99.5	-0.7	99.3	-0.4	100.3	0.1	100.1	0.4
Labor Force Participation Rate (%)	62.3	NA	62.2	NA	62.2	NA	62.2	NA	62.5	NA
Unemployment Rate (%)	3.8	NA	3.6	NA	3.5	NA	3.7	NA	4.0	NA
Housing Starts (millions, AR)	1.7	8.8	1.6	3.5	1.5	-6.9	1.4	-18.3	1.3	-27.0

Table 9
US Federal Outlays
$ billions, AR

	Second Quarter			
	FY23	FY22	Chg	% Chg
Federal Outlays excl. Gross Investment	5,998.0	6,079.8	-81.8	-1.3
National Defense	744.7	710.3	34.5	4.9
Non-Defense Consumption	547.7	533.4	14.3	2.7
Federal Transfer Payments to Resident Persons	2,841.6	2,937.4	-95.8	-3.3
Medicare	928.8	900.0	28.8	3.2
Social Security	1,222.5	1,126.5	96.0	8.5
Social Insurance to Rest of the World	32.0	27.0	5.0	18.6
Grants-in-Aid to State & Local Govts	913.2	924.7	-11.5	-1.2
Medicaid	597.0	553.9	43.1	7.8
Non-Medicaid Grants to State & Local Govts	316.3	370.9	-54.6	-14.7
Aid to Foreign Govts	50.0	58.3	-8.3	-14.2
Interest on the Debt	756.7	600.4	156.3	26.0
Subsidies	112.0	288.3	-176.3	-61.2

Table 10
History of US Labor and Income Data

	FY22				FY23					
	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg	Q3	% chg
Non-farm Employment (millions, NSA)	150.4	4.6	151.6	4.4	152.7	4.0	153.4	3.2	153.3	1.9
Goods-producing	20.8	3.5	21.0	4.1	21.2	4.1	21.3	3.3	21.2	1.9
Mining	0.6	9.5	0.6	10.8	0.6	10.4	0.6	8.0	0.6	5.6
Construction	7.6	3.2	7.6	3.6	7.7	4.0	7.7	2.8	7.7	1.0
Manufacturing	12.6	3.3	12.8	4.1	12.9	3.9	12.9	3.4	12.9	2.3
Service-providing	107.4	5.5	108.3	5.2	109.2	4.6	109.7	3.6	109.6	2.1
Trade, Transportation & Utilities	28.5	4.0	28.7	4.0	28.8	3.5	28.8	2.7	28.7	0.6
Information	2.9	6.1	3.0	6.4	3.0	6.0	3.0	4.7	3.0	2.5
Finance	8.9	1.8	8.9	2.3	9.0	2.1	9.0	1.4	8.9	0.5
Business Services	22.0	5.2	22.2	5.7	22.4	5.2	22.5	3.5	22.4	2.0
Educational Services	24.1	2.6	24.3	2.8	24.6	3.6	24.8	3.9	25.0	3.9
Leisure and Hospitality Services	15.4	16.5	15.6	12.7	15.8	9.3	15.9	6.6	15.8	3.0
Other Services	5.6	5.6	5.7	5.1	5.7	3.8	5.7	2.8	5.7	1.4
Government	22.2	1.6	22.2	1.0	22.3	1.0	22.4	1.2	22.5	1.4
Personal Income ($ billions, AR)	21,319.8	-3.5	21,625.5	3.4	21,916.8	4.3	22,285.8	5.3	22,518.0	5.6
Wages and Salaries	10,925.5	10.9	11,108.4	9.6	11,307.0	8.5	11,456.7	6.6	11,550.1	5.7
Transfer Receipts	3,868.7	-35.8	3,883.2	-11.4	3,882.0	-6.2	3,970.3	1.1	3,993.6	3.2
Dividends, Interest, and Rents	4,014.7	4.2	4,098.9	4.8	4,167.5	5.6	4,279.2	7.0	4,402.5	9.7
Supplements to Wages and Salaries	2,334.2	5.8	2,360.5	5.8	2,389.6	5.8	2,417.7	5.3	2,447.7	4.9
Proprietors' Income	1,811.4	9.5	1,835.4	3.3	1,859.5	3.7	1,872.6	4.6	1,856.7	2.5
Social Insurance	1,634.7	9.6	1,660.9	9.1	1,688.8	8.7	1,710.7	7.2	1,732.5	6.0
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 2.2 percent in the third quarter of FY23 over the third quarter of FY22. This is the eleventh consecutive adjacent-quarter increase for Kentucky non-farm employment. The last seven adjacent-quarter growth rates are: 0.8, 1.2, 0.8, 0.4, 0.9, 0.3, and 0.6 percent, respectively. Ten of the 11 supersectors increased in the third quarter of FY23 compared to the third quarter of FY22.

The biggest mover on a percentage basis is leisure and hospitality services employment, which rose 5.4 percent, or 10,400 jobs, in the third quarter of FY23 over the third quarter of FY22. This is just the third consecutive quarter of adjacent-quarter growth for leisure and hospitality services employment. The last seven quarters of adjacent-quarter growth are: 4.3, 2.4, 2.1, -0.4, 2.2, 0.4, and 3.2 percent, respectively. Leisure and hospitality services employment made up 10.3 percent of total Kentucky non-farm employment in the third quarter of FY23.

Kentucky educational services employment grew the most in absolute terms, gaining 11,100 jobs, or 3.9 percent, in the third quarter of FY23 compared to the third quarter of FY22. This is the sixth consecutive adjacent-quarter increase for Kentucky educational services employment. The last seven adjacent-quarter growth rates are: -0.05, 0.2, 0.3, 0.6, 1.4, 0.5, and 1.4 percent, respectively. Kentucky educational services employment, the third largest supersector in Kentucky, made up 14.9 percent of total Kentucky non-farm employment in the third quarter of FY23.

The only supersector to lose jobs in the third quarter of FY23 compared to the third quarter of FY22 was the trade, transportation, and utilities services employment sector. Trade, transportation, and utilities services employment also fell compared to the second quarter of FY23, dropping 1.4 percent, or 6,000 jobs. The last seven adjacent-quarter growth rates are: 0.8, 2.0, 0.7, -0.2, 0.5, 0.9, and -1.4 percent, respectively. Trade, transportation, and utilities services employment, the largest of the 11 supersectors in Kentucky, made up 21.3 percent of total Kentucky non-farm employment in the third quarter of FY23.

Kentucky personal income rose by 4.5 percent in the third quarter of FY23 over the third quarter of FY22. This is the seventh consecutive quarter of adjacent-quarter growth for Kentucky personal income. The last seven adjacent-quarter growth rates are: 1.2, 0.6, 0.9 0.8, 0.4, 2.5, and 0.8 percent, respectively. Four of the five contributing components of personal income rose in the third quarter of FY23 compared to the third quarter of FY22.

Kentucky wages and salaries income rose by the most in absolute and percentage terms in the third quarter of FY23 compared to the third quarter of FY22. Kentucky wages and salaries income rose 6.7 percent, or 7,400 net jobs, in the third quarter of FY23 over the third quarter of FY22. Kentucky wages and salaries income has risen for the last 11 consecutive adjacent quarters. The last seven adjacent-quarter growth rates are: 2.6, 2.8, 2.4, 1.1, 1.4, 2.5, and 1.5 percent, respectively. Kentucky wages and salaries income made up 49.2 percent of total Kentucky personal income in the third quarter of FY23.

Kentucky transfer receipts income declined by 0.2 percent in the third quarter of FY23. Kentucky transfer receipts income has contracted in nine of the last 11 quarters. The last seven adjacent-quarter growth rates are: -0.4, -2.4, -1.7, -1.0, -2.0, 3.7, and -0.7 percent, respectively. Kentucky transfer receipts income made up 25.6 percent of total Kentucky personal income in the third quarter of FY23.

Table 11
History of KY Labor and Income Data

	FY22				FY23					
	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg	Q3	% chg
Non-farm Employment (thousands, NSA)	1,946.7	3.6	1,954.0	3.2	1,972.4	3.3	1,978.0	2.4	1,989.0	2.2
Goods-producing	337.2	2.6	342.1	4.2	347.0	5.0	347.0	3.9	343.2	1.8
Mining	8.0	3.9	8.2	6.9	8.3	9.2	8.6	11.7	8.3	4.2
Construction	82.3	4.5	81.9	3.4	83.6	5.4	82.7	2.3	82.8	0.6
Manufacturing	246.9	2.0	252.0	4.4	255.1	4.8	255.7	4.2	252.1	2.1
Service-providing	1,310.9	4.2	1,314.0	3.6	1,328.5	3.7	1,330.8	2.4	1,343.2	2.5
Trade, Transportation & Utilities	423.7	3.8	422.8	3.3	425.1	3.1	429.0	2.0	423.0	-0.2
Information	21.0	2.9	21.2	2.8	21.7	4.7	22.0	6.3	21.4	1.7
Finance	96.5	1.0	97.0	1.2	97.0	0.9	95.8	-1.1	97.7	1.2
Business Services	226.5	4.4	228.4	4.2	230.7	4.8	227.7	2.1	234.4	3.5
Educational Services	284.5	1.2	286.1	1.1	290.2	2.6	291.6	2.8	295.6	3.9
Leisure and Hospitality Services	193.5	11.6	192.8	8.6	196.9	6.3	197.7	4.2	204.0	5.4
Other Services	65.2	5.1	65.7	5.0	66.9	5.3	67.0	3.8	67.2	3.0
Government	298.6	1.8	298.0	0.2	296.9	-0.2	300.3	0.3	302.6	1.3
Personal Income ($ billions, AR)	231.0	-5.2	232.8	3.5	233.7	2.7	239.5	4.7	241.4	4.5
Wages and Salaries	111.4	10.2	112.6	9.2	114.2	8.0	117.1	7.7	118.8	6.7
Transfer Receipts	61.8	-29.3	61.2	-5.4	60.0	-6.9	62.2	-1.1	61.7	-0.2
Dividends, Interest, and Rents	35.9	3.6	36.4	3.9	36.8	3.9	37.3	4.3	37.9	5.6
Supplements to Wages and Salaries	28.1	6.3	28.4	6.4	28.7	6.0	29.1	6.0	29.5	5.0
Proprietors' Income	16.4	11.3	17.0	4.6	17.1	5.4	17.4	9.6	17.4	6.5
Social Insurance	18.5	8.9	18.7	8.8	19.0	8.3	19.4	8.2	19.7	6.4
Residential Adjustment	-4.1	NA	-4.1	NA	-4.1	NA	-4.1	NA	-4.2	NA

APPENDIX

General Fund and Road Fund Revenue Receipts

THIRD QUARTER FY23

KENTUCKY STATE GOVERNMENT – GENERAL FUND REVENUE

	Third Quarter FY 2023	Third Quarter FY 2022	% Change	Year-To-Date FY 2023	Year-To-Date FY 2022	% Change
TOTAL GENERAL FUND	**$3,412,047,914**	**$3,220,930,300**	**5.9%**	**$10,849,484,278**	**$10,253,769,397**	**5.8%**
Tax Receipts	$3,259,376,970	$3,146,274,786	3.6%	$10,418,554,299	$9,727,097,068	7.1%
Sales and Gross Receipts	$1,578,566,361	$1,435,845,430	9.9%	$4,741,451,444	$4,319,859,748	9.8%
Beer Consumption	1,242,582	1,365,263	-9.0%	4,547,959	4,748,196	-4.2%
Beer Wholesale	14,522,357	13,856,227	4.8%	51,898,226	49,686,452	4.5%
Cigarette	67,987,753	74,644,402	-8.9%	223,257,993	240,594,388	-7.2%
Distilled Spirits Case Sales	53,107	46,569	14.0%	174,073	164,067	6.1%
Distilled Spirits Consumption	4,276,717	4,162,446	2.7%	13,836,562	13,706,582	0.9%
Distilled Spirits Wholesale	17,006,232	16,661,220	2.1%	54,428,613	52,229,061	4.2%
Insurance Premium	73,178,228	70,114,647	4.4%	131,036,473	106,234,873	23.3%
Pari-Mutuel	15,522,502	12,952,014	19.8%	39,533,255	33,441,870	18.2%
Race Track Admission	0	22,885	-100.0%	63,820	105,875	-39.7%
Sales and Use	1,343,180,811	1,207,925,163	11.2%	4,109,255,251	3,711,953,932	10.7%
Wine Consumption	799,835	850,728	-6.0%	2,398,266	2,533,511	-5.3%
Wine Wholesale	5,131,968	5,138,077	-0.1%	15,292,492	15,499,859	-1.3%
Telecommunications Tax	19,791,218	18,712,553	5.8%	57,632,820	57,289,486	0.6%
Other Tobacco Products	10,290,806	9,408,303	9.4%	32,511,031	31,695,984	2.6%
Floor Stock Tax	121	(15,067)	-100.8%	2,486	(24,385)	-110.2%
Car Rental & Ride Sharing	5,582,123		—	5,582,123	0	—
Natural Resources	$37,063,202	$27,956,103	32.6%	$112,569,667	$76,707,927	46.8%
Coal Severance	27,187,957	18,915,709	43.7%	73,918,420	49,209,412	50.2%
Oil Production	1,542,760	1,960,934	-21.3%	5,937,905	5,190,749	14.4%
Minerals Severance	4,444,274	3,741,992	18.8%	19,275,036	16,009,484	20.4%
Natural Gas Severance	3,888,211	3,337,468	16.5%	13,438,307	6,298,283	113.4%
Individual Income Tax	$1,341,541,098	$1,387,449,640	-3.3%	$4,102,857,972	$3,929,515,515	4.4%
Withholding	1,315,726,277	1,328,606,567	-1.0%	3,841,834,412	3,673,371,408	4.6%
Declarations	151,968,777	153,042,557	-0.7%	342,144,122	326,287,036	4.9%
Net Returns	(121,480,928)	(93,829,448)	—	(74,870,529)	(69,263,640)	8.1%
Fiduciary	(4,673,028)	(370,035)	—	(6,250,034)	(879,289)	—
Major Business Taxes	$101,527,794	$101,583,402	-0.1%	$699,677,873	$679,494,920	3.0%
Corporation Income	67,059,516	41,035,933	63.4%	582,728,037	525,830,484	10.8%
LLET	34,468,278	60,547,469	-43.1%	116,949,836	153,664,436	-23.9%
Property	$179,826,890	$170,818,798	5.3%	$696,132,423	$649,239,133	7.2%
General - Real	81,713,163	73,585,038	11.0%	334,078,795	320,242,701	4.3%
General - Tangible	23,349,854	25,575,528	-8.7%	127,533,754	118,890,232	7.3%
Tangible - Motor Vehicle	52,154,312	44,729,604	16.6%	133,033,228	117,846,347	12.9%
Omitted & Delinquent	15,790,362	7,873,869	100.5%	19,566,948	17,199,967	13.8%
Public Service	5,873,345	18,158,841	-67.7%	78,443,755	72,145,617	8.7%
Other	945,853	895,918	5.6%	3,475,942	2,914,267	19.3%
Inheritance Tax	$15,850,374	$17,048,510	-7.0%	$55,957,987	$61,361,023	-8.8%
Miscellaneous	$5,001,251	$5,572,903	-10.3%	$9,906,933	$10,918,801	-9.3%
License and Privilege	$429,738	$512,229	-16.1%	1,418,645	1,231,192	15.2%
Bank Franchise	($697,401)	$534,000	-230.6%	(632,088)	1,118,566	-156.5%
Legal Process	2,356,035	2,176,418	8.3%	6,982,728	7,621,203	-8.4%
T. V. A. In Lieu Payments	2,908,728	2,308,855	26.0%	2,109,737	899,281	134.6%
Other	4,151	41,401	—	27,911	48,559	-42.5%
Nontax Receipts	$152,205,173	$74,404,952	104.6%	$423,388,115	$520,036,367	-18.6%
Departmental Fees	3,640,862	3,504,184	3.9%	9,683,599	9,774,024	-0.9%
PSC Assessment Fee	10,843	9,786	10.8%	10,214,517	13,501,656	-24.3%
Fines & Forfeitures	4,772,030	4,299,424	11.0%	14,427,224	13,628,037	5.9%
Income on Investments	50,487,733	(1,236,406)	—	88,131,070	(1,853,844)	—
Lottery	83,500,000	77,000,000	8.4%	247,290,883	230,342,688	7.4%
Miscellaneous	9,793,704	(9,172,036)	—	53,640,822	254,643,807	-78.9%
Redeposit of State Funds	$465,771	$250,562	85.9%	$7,541,864	$6,635,963	13.7%

KENTUCKY STATE GOVERNMENT – ROAD FUND REVENUE

	Third Quarter FY 2023	Third Quarter FY 2022	% Change	Year-To-Date FY 2023	Year-To-Date FY 2022	% Change
TOTAL STATE ROAD FUND	**$428,704,544**	**$405,575,091**	**5.7%**	**$1,271,187,980**	**$1,220,727,253**	**4.1%**
Tax Receipts-	$416,462,498	$405,151,079	2.8%	$1,244,243,519	$1,208,089,866	3.0%
Sales and Gross Receipts	$348,799,974	$334,524,456	4.3%	$1,070,504,910	$1,037,382,287	3.2%
Motor Fuels Taxes	179,687,588	180,741,516	-0.6%	582,596,414	576,613,837	1.0%
Motor Vehicle Usage	169,112,386	153,782,940	10.0%	487,908,496	460,768,450	5.9%
License and Privilege	$67,662,524	$70,626,623	-4.2%	$173,738,609	$170,707,579	1.8%
Motor Vehicles	34,186,940	33,051,522	3.4%	76,491,445	72,534,593	5.5%
Motor Vehicle Operators	7,017,766	8,701,500	-19.3%	21,287,350	20,499,477	3.8%
Weight Distance	21,518,721	22,021,845	-2.3%	66,190,826	65,908,204	0.4%
Truck Decal Fees	47,960	32,700	46.7%	151,780	93,740	61.9%
Other Special Fees	4,891,136	6,819,057	-28.3%	9,617,208	11,671,565	-17.6%
Nontax Receipts	$12,108,412	$495,914	2341.6%	$26,630,912	$12,169,902	118.8%
Departmental Fees	6,194,935	7,074,457	-12.4%	18,881,686	18,316,647	3.1%
In Lieu of Traffic Fines	132,705	56,905	133.2%	364,845	176,330	106.9%
Income on Investments	4,849,057	(7,570,354)	—	4,523,137	(9,000,362)	—
Miscellaneous	931,715	934,906	-0.3%	2,861,244	2,677,288	6.9%
Redeposit of State Funds	$133,633	($71,902)	—	$313,549	$467,485	-32.9%

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 8, 2023 data release.

Table 4

Not Seasonally Adjusted. Data for FY23 Q3 are March 2023 estimates.
Source: IHS Markit - Economics & Country Risk, March 8, 2023 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 FY23 Q3 are March 2023 estimates.
Source: IHS Markit - Economics & Country Risk, March 8, 2023 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, March 2023.

Table 10

Not Seasonally Adjusted. Data for FY23 Q3 are March 2023 estimates.
Source: IHS Markit - Economics & Country risk, March 8, 2023 data release.