COMMONWEALTH OF KENTUCKY

Quarterly Economic & Revenue Report

Second Quarter Fiscal Year 2024

GOVERNOR'S OFFICE FOR ECONOMIC ANALYSIS

OFFICE OF STATE BUDGET DIRECTOR

TEAM KENTUCKY®

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January 30, 2024

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. Katie Comstock
Administrative Office of the Courts
1001 Vandalay Drive
Frankfort, Kentucky 40601

Dear Honorable Governor Beshear, Mr. Hartz and Ms. Comstock:

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) is directed to continuously monitor the financial situation of the Commonwealth. In furtherance of this directive, OSBD submits this *Quarterly Economic and Revenue Report* for the second quarter of fiscal year 2024 (FY24) to the three branches of government.

This report includes the actual revenue receipts and economic conditions for the second quarter and a forecast for the second half of FY24 and the first quarter of FY25. The report also provides an outlook for the national and state economies that provided the inputs into the official revenue models.

TEAM KENTUCKY

Both the General Fund and Road Fund outlooks are identical to the official estimates prepared by the Consensus Forecasting Group (CFG) in accordance with KRS 48.120 (2). When combined with the first six months of actual receipts, the official revenue forecast predicts General Fund revenue of $15,554.5 million, or 2.7 percent growth in FY24, a revenue surplus approximately $1.4 billion over the enacted estimates of $14,151.0 million from the 2022 Regular Session.

Road Fund collections are expected to increase 6.0 percent during the second half of FY24, ending the year at 7.3 percent growth. Based on the official forecast used in this report, revenues would exceed the enacted estimate by $202.5 million. Motor fuels and motor vehicle usage tax revenues together would be $190.9 million above estimate while the remaining accounts would be $11.6 million more than the enacted level.

This office will continue to closely monitor Kentucky's economic and revenue conditions and will provide updates at the appropriate times.

Sincerely,

John T. Hicks

John T. Hicks
State Budget Director

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EXECUTIVE SUMMARY

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) is directed to continuously monitor the financial situation of the Commonwealth. In fulfillment of this statutory requirement, OSBD submits this *Quarterly Economic and Revenue Report* for the second quarter of fiscal year 2024 (FY24). This interim report includes the actual revenue receipts and economic landscape for the second quarter, a comprehensive revenue outlook for the upcoming three fiscal quarters, as well as a US and Kentucky economic outlook for the same period. All estimates in this report extend from the third quarter of FY24 through the first quarter of FY25 (the forecasting horizon).

The interim General Fund and Road Fund outlooks prepared pursuant to KRS 48.400(2) are identical to the official estimates agreed to by the Consensus Forecasting Group (CFG) on December 8, 2023, in accordance with KRS 48.120 (2). Forecasted revenues presented in Table 1 were projected using the November 2023 economic forecast from both S&P Global and the Kentucky MAK model as the primary inputs. The CFG chose a blended forecast as the most likely outcome. S&P Global placed a 55 percent probability on their control or baseline scenario, 30 percent likelihood on the pessimistic, and 15 percent from the optimistic scenario. After a thorough and productive debate on the proper weights for the forecasts, the CFG chose a blend identical to the aforementioned S&P Global weights. In addition, the revenue estimates incorporate various tax law changes enacted during recent legislative sessions of the General Assembly.

Projected General Fund Growth for the Second half of FY24

When combining the actual receipts from the first half of FY24 with the estimates for the second half of FY24, the official forecast predicts FY24 General Fund revenues of $15,554.5 million, for growth of 2.7 percent. General Fund revenues equal to the official estimate would result in a revenue surplus of $1.4 billion compared to the enacted estimates for the FY24 budget of $14,150.9 million from the 2022 Regular Session.

After growing 6.9 percent in the first quarter of FY24, General Fund receipts grew at a pace more in line with a slowing economy in the second quarter. Year-to-date collections now stand at a healthy growth rate of 4.1 percent. Collections in the second quarter totaled $3,943.3 million compared to $3,880.8 million in the second quarter of FY23 for growth of 1.6 percent.

Table 1 displays the official General Fund forecast for the remainder of FY24. Growth is expected to moderate to 1.3 percent compared to the 4.1 percent in the first half of the year. Due to legislative tax policy changes, individual income tax receipts are projected to fall 4.5 percent during the second half of FY24 after growing 2.7 percent during the first half of FY24. The projected decline in the individual income tax is attributable to two major trends: legislative rate reductions and slowing withholding growth. Of the combined legislative actions that affect FY24, the largest impact comes from the second rate reduction. Beginning January 1, 2024, the individual income tax rate fell from 4.5 percent to 4.0 percent.

Projected Road Fund Growth for the forecasting horizon

The official Road Fund forecast calls for continued strong revenue growth in the second half of the year before declining in the first quarter of FY25. Collections in the Road Fund grew 4.7 percent in FY23 and then jumped to 8.8 percent in the first half of FY24. Going forward, collections are forecasted to increase 6.0 percent for the remainder of the year but decline 1.3 percent in the first quarter of FY25. The decline in the first quarter of FY25 is attributable to an expected tax rate reduction in the motor fuels taxes and decline in the motor vehicle usage tax.

Summary of Projected Major Economic Factors

Real GDP is expected to grow 2.0 percent in the second half of FY24, followed by 0.8 percent in the first quarter of FY25. The traditional metric to declare a recession is two or more quarters of declining real GDP. Based on the recent past and the forecast horizon, the economic projections used in this quarterly report assume that the national economy is not headed into a recession in the near term. The year-over-year quarterly growth rates for the real GDP throughout the forecast horizon are: 2.2, 1.7, and 0.8 percent, respectively.

Growth in the CPI for all goods, or the rate of inflation, has come down since the third and fourth quarters of FY23 when inflation stood at 4.9 percent. The outlook estimates inflation of 2.8 percent for the final two quarters in FY24 and full-year inflation for FY24 at 3.1 percent. Entering the first quarter of FY25, inflation is anticipated to decline further to 2.7 percent. While the declining rate of inflation is encouraging, reaching the Fed's long-term two percent objective is not projected to occur over the forecast horizon.

The wages and salaries component of Kentucky personal income is projected to increase 4.6 percent in the final two quarters of FY24, a pace slightly behind the 7.5 percent growth in the first half of FY24. Year-over-year growth in wages and salaries has been 6.6 percent or greater for the past eleven quarters. Growth significantly higher than the long-run average is difficult to sustain indefinitely. Full year FY24 wages and salaries growth is expected to increase by 6.0 percent when the first two quarters are combined with the forecasted period. Despite the slowing in the rate of growth, the projected wage and salary income of Kentuckians for the four quarters of

FY24 is projected to outpace US wages and salaries growth by 0.6 percentage points. Entering the first quarter of FY25, Kentucky wage and salary growth is expected to increase 3.4 percent. Wage and salary income comprises the largest overall source of total income, representing approximately 50 percent of personal income over the outlook period.

Summary of Second Quarter Tax Receipts

General Fund receipts grew 1.6 percent in the second quarter of FY24, down from the 6.9 percent rate of growth in the first quarter. Year-to-date collections now stand at 4.1 percent. Second quarter collections increased $62.9 million over FY23 totals. Five of the nine major accounts saw increases in collections over the prior year, but most of the gains came from only two accounts, sales and use, and "other". Together, they rose by $152.3 million. Although General Fund receipts softened somewhat in the second quarter of FY24, collections remain significantly above the projected revenues for the enacted FY24 budget. Both withholding and sales tax receipts were strong in December, indicating that Kentuckians are seeing wage gains which supports a vibrant consumption base. Withholding collections fell only 1.1 percent in December, 2023 even with a 10 percent reduction in the tax rate compared to last year.

Road Fund collections grew 7.4 percent in the second quarter of FY24, leaving the year-to-date growth at 8.8 percent. Road Fund receipts grew by 10.2 percent in the first quarter. Double-digit growth in the motor fuels tax provided a significant boost to overall Road Fund receipts in both quarters. Total receipts received in the second quarter were $451.0 million, which exceeded last year's second quarter total by $31.1 million. Motor vehicle usage and motor fuels receipts accounted for $34.5 million of that quarterly gain. The remaining accounts collectively declined by $3.3 million. The motor fuels tax and the motor vehicle usage tax are by far the largest components of the Road Fund; together, they made up 86 percent of Road Fund revenues in the second quarter.

Summary of the Economy for the Second Quarter of FY24

Real GDP rose by 2.6 percent in the second quarter of FY24. This was largely attributable to gains in real consumption and real government expenditures. Inflation was 3.2 percent in the second quarter of FY24. This is the eleventh consecutive quarter of inflation above three percent. US personal income grew 4.6 percent in the second quarter of FY24, with US wages and salaries growing the fastest during the quarter. US non-farm employment rose 1.8 percent in the second quarter of FY24. Educational services employment was the fastest growing employment sector in the second quarter with 4.1 percent growth.

Kentucky non-farm employment rose by 2.1 percent in the second quarter of FY24. Construction employment was the fastest growing employment sector in Kentucky in the second quarter of FY24, growing 4.7 percent over the second quarter of FY23. Kentucky personal income rose by 5.2 percent in the second quarter of FY24. Kentucky wages and salaries income was the fastest growing income component in the second quarter of FY24 growing 7.8 percent compared to the second quarter of FY23. Much of this growth occurred four quarters ago. Adjacent-quarter growth in Kentucky wages and salaries has been tapering for the last five consecutive quarters.

Revenue & Economic Outlook

GENERAL FUND OUTLOOK

The Interim General Fund and Road Fund Outlooks prepared pursuant to KRS 48.400(2) are identical to the official estimates agreed to by the CFG on December 8, 2023, in accordance with KRS 48.120 (2). Forecasted revenues presented in Table 1 were projected using the November 2023 forecasts from both S&P Global and the Kentucky MAK model as the primary inputs. The CFG chose a blended forecast as the most likely outcome. S&P Global placed a 55 percent probability on their control or baseline scenario, 30 percent likelihood on the pessimistic, and 15 percent from the optimistic scenario. After a thorough and productive debate on the proper weights for the forecasts, the CFG chose a blend identical to the aforementioned S&P Global weights. The revenue estimates also incorporate various tax law changes enacted during recent sessions of the General Assembly. All estimates in this outlook extend through the first quarter of FY25 (the forecasting horizon).

Table 1
General Fund Interim Outlook
$ millions

	FY24						FY24		FY25	
	Q1 & Q2		Q3 & Q4		Full Year		Official		Q1	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Individual Income	2,834.7	2.7	2,943.6	-4.5	5,778.3	-1.1	5,778.3	0.0	1,249.2	-17.0
Sales & Use	2,923.7	5.7	2,904.7	3.4	5,828.4	4.5	5,828.4	0.0	1,533.8	4.1
Corp. Inc. & LLET	570.8	-4.6	706.6	13.3	1,277.4	4.6	1,277.4	0.0	326.8	1.4
Property	521.7	1.0	286.9	11.2	808.6	4.4	808.6	0.0	71.2	0.6
Lottery	173.0	5.7	170.6	-1.5	343.6	2.0	343.6	0.0	79.0	1.3
Cigarettes	139.6	-10.1	132.6	-7.9	272.2	-9.0	272.2	0.0	68.6	-8.8
Coal Severance	33.7	-27.8	51.2	2.7	84.9	-12.1	84.9	0.0	20.7	-8.6
Other	546.5	27.1	614.7	8.1	1,161.2	16.3	1,161.2	0.0	249.5	-1.3
General Fund	**7,743.6**	**4.1**	**7,810.9**	**1.3**	**15,554.5**	**2.7**	**15,554.5**	**0.0**	**3,598.8**	**-5.3**

When combining the actual receipts from the first half of FY24 with the estimates for the second half of FY24, the official forecast predicts FY24 General Fund revenues of $15,554.5 million, for growth of 2.7 percent. General Fund revenues equal to the official estimate would result in a revenue surplus of $1.4 billion compared to the enacted estimates for the FY24 budget of $14,150.9 million from the 2022 Regular Session.

After growing 6.9 percent in the first quarter of FY24, General Fund receipts grew at a pace more in line with a slowing economy in the second quarter. Year-to-date collections now stand at a healthy 4.1 percent. Collections in the second quarter totaled $3,943.3 million compared to $3,880.8 million in the second quarter of FY23 for growth of 1.6 percent.

Due to legislative tax policy changes, **individual income tax** receipts are projected to fall 4.5 percent during the second half of FY24 after growing 2.7 percent during the first half of FY24. Full-year collections for FY24 are projected to be $5,778.3 million, which equates to a 1.1 percent decline. The projected decline in the individual income tax is attributable to two major trends: legislative rate reductions and slowing withholding growth. Of the combined legislative actions that affect FY24, the largest impact comes from the second rate reduction. Beginning January 1, 2024, the individual income tax rate fell from 4.5 percent to 4.0 percent.

House Bill 8 from the 2022 legislative session lowered the rate from 5.0 percent to 4.5 percent, effective January 1, 2023, which affects the first half of FY24. House Bill 1 from the 2023 legislative session further reduced the rate from 4.5 percent to 4.0 percent effective January 1, 2024, which affects the second half of FY24. The 2.7 percent increase in the first half of FY24 was the direct result of the Pass-Through Entity Tax (PTET) that was enacted in HB 5 from the 2023 legislative session. Pass-through entities may elect to be taxed at the entity level dating back to tax year 2022 in order to achieve federal tax savings. To meet federal filing deadlines, Kentucky entity level taxes were remitted in the first half of FY24, thus artificially inflating individual income tax collections.

Table 1 also reports that the individual income tax is expected to decline by 17.0 percent in the first quarter of FY25. While the rate reductions certainly contribute to a large portion of the projected decline by lowering withholding and declaration payments, it is the refunds associated with the PTET payments that accelerates the decline. Payment of the PTET creates a dollar-for-dollar refundable income tax credit for the individual members of the pass-through entity. This credit associated with the PTET payments received in FY24 will not all be claimed in FY24, so there is a lag between payments received and refunds being disbursed. A large portion of the FY24 credits that are not used in FY24 are assumed to be claimed in the first quarter of FY25, thus contributing to the large, expected decline in that quarter.

Sales and use tax receipts are expected to rise 3.4 percent in the second half of FY24, followed by 4.1 percent growth in the first quarter of FY25. When combined with the 5.7 percent growth from the first half of FY24, annual growth in the sales tax is expected to be 4.5 percent for FY24. Entering FY24, the sales tax has grown at torrid pace with double-digit growth in three consecutive fiscal years. Growth of 12.0 percent in FY21 was followed by increases of 11.0 percent and 10.1 percent in FY22 and FY23, respectively. During that three-year span, the sales and use tax has risen from $4,070.9 million in FY20 to $5,576.3 million in FY23, a remarkable growth spurt. However, even accounting for inflation, receipts from the sales and use tax have outrun the underlying economic fundamentals. All three models used to forecast the sales tax call for moderation in growth. Extraneous factors will also curb growth in the sales tax. A net fiscal impact of $51.6 million was deducted from the estimate to account for the combined legislative effects since 2022, which were a net positive, and the Century Aluminum ruling from the Kentucky Supreme Court, which carried a larger negative fiscal impact.

Business taxes (corporation income tax plus the limited liability entity tax) grew 3.0 percent in FY23 following surges of 34.4 percent in FY22 and 38.1 percent in FY21. The corporation income tax and the LLET have been reported and estimated in combination due to the interrelationship of the nonrefundable tax credit that flows from the LLET to the corporation income tax. Major business taxes fell 4.6 percent in the first half of FY24 but are expected to rebound in the second half with growth of 13.3 percent. Receipts at the forecasted levels will lead to FY24 total collections of $1,277.4 million, or growth of 4.6 percent. Growth in the forecast for US corporate profits before taxes is the expected engine of growth for the combined business taxes during the forecasting horizon. The combined business taxes account is the most volatile major category of General Fund revenues.

Property tax receipts surged in FY23, increasing 7.0 percent, on the strength of real and tangible personal property. Real property grew at 4.1 percent while tangible property advanced by 9.7 percent. Motor vehicle property taxes also increased by 10.2 percent as older vehicles are being replaced with newer models with higher valuations. The first two quarters of FY24 saw the property tax accounts advance at a rate of 1.0 percent, but the remaining two quarters are expected to see property tax growth of 11.2 percent to finish FY24 at a 4.4 percent overall increase. For FY24, the motor vehicle property tax is expected to show the quickest pace of growth at 7.3 percent, followed by tangible property and real property at rates of 4.3 and 3.8 percent, respectively.

Dividend payments from the **Kentucky Lottery** have continued to grow despite the maturity of the state lottery and the growing number of alternative sources of recreational gaming. General Fund payments totaled $337.0 million in FY23, up from the $295.0 million received in the General Fund in FY22. Including the dividend payments that were required to be diverted into a separate account at the direction of HB 1 from the 2022 Regular Session, total lottery dividend payments were $347.3 million in FY22 and $370.3 million in FY23. The FY24 lottery dividend payment to the General Fund is expected to be $343.6 million, 2.0 percent higher than the General Fund dividend from FY23. The budget bill referenced above limits the amount that can be deposited into the General Fund to $343,574,700 in FY24. An additional $21.0 million is expected to be diverted into a separate trust and agency account and shall not be expended or appropriated without the express authority of the General Assembly.

Cigarette taxes are collected at the rate of $1.10 per pack, effective July 1, 2018. Cigarette tax receipts continued to drop in FY23, plunging by 7.8 percent after declining 7.3 percent in FY22. Smoking rates continue to fall, and the number of cigarettes per smoker has also decreased. The official outlook calls for a further decrease in cigarette taxes with a 9.0 percent expected falloff in FY24 followed by an 8.8 percent decline in the first quarter of FY25. Receipts are expected to decline by 7.9 percent in the second half of FY24 following a first half decline of 10.1 percent.

Coming into FY24, the **coal severance tax** has seen a resurgence over the last two fiscal years. Receipts have grown from $56.1 million in FY21 to $96.6 million in FY23, increasing by 26.0 percent and 36.7 percent, respectively over the two-year span. Spot prices for coal increased sharply during that period as the price of substitute sources of energy, like oil and natural gas, have also fluctuated to the upside. Year-to-date receipts, however, have witnessed a reversal of fortunes in the coal severance tax as collections are down 27.8 percent. Embedded in the sharp decline in the first half of FY24 is a second fiscal quarter where total collections were $11.1 million, the lowest quarter in the recent history of coal severance tax. The official forecast calls for a very mild rebound with growth in the second half of FY24 of 2.7 percent. When combined with the 27.8 percent decline from the first half of FY24, the FY24 receipts are projected to fall 12.1 percent to $84.9 million. The first quarter of FY25 calls for a further decline of 8.6 percent as energy prices continue to wane from the higher prices seen in FY22 and FY23.

The **"other" category of revenues** contains roughly 60 accounts that are not otherwise classified in the major accounts. Insurance premiums taxes, alcohol taxes, telecommunication taxes, inheritance taxes, and abandoned property are the five largest ongoing accounts. Income from investments, while not a perennial source of significant income, recorded receipts of $150.5 million in FY23. The dramatic increase in the income on investments stems from prior year surpluses that were deposited into the State's "Rainy Day Fund". Looking ahead to FY24, total other receipts are projected to increase from $998.7 million in FY23 to $1,161.2 million in FY24, an increase of $162.5 million. Income on investments is expected to rise to $289.1 million, an increase of $138.6 million over FY23 levels. In two short years, income from investments has risen from $0.6 million in FY22 to $289.1 million expected in FY24, which would catapult income on investments into an account representing approximately 25 percent of the total collections in the "other" category. The remaining accounts in the "other" category were recalibrated for the official CFG estimates in December and contain a combination of growing and declining accounts.

ROAD FUND OUTLOOK

The January 2024 interim Road Fund forecast calls for continued strong revenue growth in the second half of the year before declining in the first quarter of FY25. Collections in this fund grew 4.7 percent in FY23 and then jumped to 8.8 percent in the first half of FY24. Going forward, collections are forecasted to increase 6.0 percent for the remainder of the year but decline 1.3 percent in the first quarter of FY25. As is typically the case with the Road Fund, the drivers of growth are the two largest accounts – the motor fuels and motor vehicle usage taxes. Normally, quarterly report estimates are based on the control economic forecast; however, in this report, the forecast uses the economic assumptions and revenue projections adopted by the CFG at their December 2023 meeting. At that meeting, it was decided that a blended approach (identical to the General Fund) was the most likely outcome, so the forecast presented has the following weights: control scenario 55 percent, optimistic scenario 15 percent and pessimistic scenario 30 percent.

Table 2
Road Fund Interim Outlook
$ millions

	FY24						FY24		FY25	
	Q1 & Q2		Q3 & Q4		Full Year		Official		Q1	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Motor Fuels	455.6	13.1	449.5	13.7	905.1	13.4	905.1	0.0	226.5	-0.7
Motor Vehicle Usage	334.3	4.9	337.9	-1.1	672.2	1.8	672.2	0.0	166.1	-4.2
Motor Vehicle License	39.9	-5.7	86.9	3.0	126.8	0.1	126.8	0.0	23.4	13.2
Motor Vehicle Operators	16.5	15.8	14.7	-5.2	31.2	4.9	31.2	0.0	7.9	-5.5
Weight Distance	43.7	-2.2	44.0	2.2	87.7	0.0	87.7	0.0	22.5	1.9
Income on Investments	6.9	NA	4.9	-26.3	11.8	87.0	11.8	0.0	2.6	-10.6
Other	19.8	-0.4	27.0	10.9	46.8	5.8	46.8	0.0	10.5	3.3
Road Fund	**916.6**	**8.8**	**965.1**	**6.0**	**1,881.7**	**7.3**	**1,881.7**	**0.0**	**459.5**	**-1.3**

Road Fund revenues grew 8.8 percent, or $74.1 million, over the first two quarters of the fiscal year. Motor fuels and motor vehicle usage tax collections accounted for the majority of the gains. Among the major accounts, motor vehicle operators' collections and income on investments also posted increases while motor vehicle license, weight distance and other receipts fell.

Motor fuels tax collections grew 13.1 percent in the first half of the year. The significant revenue increase is due to a larger than normal increase in the tax rate. In June 2022, Governor Beshear issued an emergency regulation which prevented a two-cent tax increase in the tax rate that was set to begin in July 2022. In July 2023, there was an additional 2.1 cents increase in the tax rate that occurred by operation of law, so for the period July 2023 through March 2024, the tax rate on motor fuels will be 4.1 cents per gallon higher than in the previous period. Revenues are forecasted to grow by double-digits over the final two quarters of the year before turning negative in the first quarter of FY25. Growth rates for this account are expected to be 13.7 percent over the rest of the current fiscal year and -0.7 percent in the first quarter of FY25 due to a projected reduction in the tax rate on motor fuels.

Motor vehicle usage tax collections grew 4.9 percent in the first half of the year. Revenues, however, are forecasted to be negative over the next three quarters as US consumer expenditures on light vehicles decline. Growth rates for the final six months of the current year and the first quarter of FY24 are forecasted to be -1.1 percent and -4.2 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 grow 3.0 percent in the final two quarters of FY24 before growing 13.2 percent in the first quarter of FY25. Motor vehicle operators' license revenues are projected to fall 5.2 percent for the remainder of the fiscal year and decrease 5.5 percent in the first quarter of FY25. Investment income is expected to be $4.9 million over the remainder of the fiscal year and $2.6 million in the first three months next year. The "other" set of accounts will increase 10.9 percent during the last six months of the year and then increase 3.3 percent in the first quarter of FY25.

NATIONAL ECONOMIC OUTLOOK

Real GDP is expected to grow 2.0 percent in the second half of FY24, followed by 0.8 percent in the first quarter of FY25, compared to the same periods one year prior. The traditional metric to declare a recession is two or more quarters of declining real GDP. Based on the recent past and the outlook periods, economic projections used in the formation of the official consensus estimates assume that the national economy is not headed into a recession in the near term. The year-over-year quarterly growth rates for the real GDP over the forecast horizon are: 2.2, 1.7, and 0.8 percent, respectively. By historical standards, this is considered weak real GDP growth as the average year-over-year growth rate has been 2.3 percent since the first quarter of 2010.

Growth in the CPI for all goods, or the rate of inflation, has come down since the second half of FY23 when inflation stood at 4.9 percent. The outlook estimates inflation of 2.8 percent for the second half of FY24 and full-year inflation for FY24 at 3.1 percent. Entering the first quarter of FY25, inflation is anticipated to decline further to 2.7 percent. While the declining rate of inflation is encouraging, reaching the Fed's long-term two percent objective isn't foreseeable over the forecast horizon. An increase in the unemployment rate would be necessary to reduce wage growth to a range consistent with core inflation. The unemployment rate is projected to rise to an average level of 3.9 percent for the entirety of FY24 and gradually climb to 4.4 percent by the first quarter of FY25.

The Federal Open Market Committee (FOMC) voted to again hold the line on the short-term federal funds target rate during its December meetings. More significantly to the capital markets, members raised expectations for rate cuts in CY24. The FOMC's last rate adjustment occurred in July, when it increased the fed funds rate to a range of 5.25 percent to 5.50 percent, the highest fed funds target rate since 2001. Fed monetary policy influences the cost and willingness to use many forms of consumer debt instruments (i.e., mortgages, credit cards and automobile loans). As an example, housing starts are forecasted to drop from 1.4 million in the second half of FY23 to 1.3 million in the second half of FY24, before declining 2.6 percent in the first quarter of FY25.

As previously stated, growth in real GDP and its components suggest a somewhat weaker outlook over the nine-month forecast. Real consumption is projected to increase 2.3 percent in the third and fourth quarters of FY24 and moderate slightly to 1.6 percent in the first quarter of FY25. Real government spending and consumption have been the primary sources of growth for the US economy since the end of the 2020 recession. However, real consumption is beginning to soften due to persistently higher inflation and interest rates. According to S&P Global, wealth effects are expected to offset the downward pressure on consumer spending from inflation and higher interest rates, at least in those households benefiting from past portfolio gains and rising home prices. However, credit-dependent consumer spending and small business activity is expected to suffer in the near term.

Real investment is expected to soften even more over the three-quarter forecast horizon. Year-over-year growth in real investment of 1.7 percent is expected in the final six months of FY24, followed by a decline of 1.2 percent in the first quarter of FY25. The dampened outlook for investment spending mainly reflects higher borrowing costs and lower demand for output. Lower demand for current output depresses the internal rate of return on investments by dampening business expectations regarding the need for enhanced production in the near term. Higher borrowing costs make it more difficult for projects to achieve an internal rate of return in excess of borrowing costs.

Among the five components of real GDP, real imports are expected to grow the fastest in percentage terms, increasing 3.8 percent in the second half of FY24 and 4.8 percent in the first quarter of FY25. Imports remain below their 2022 peak due to a shift in spending by US consumers from goods to services in addition to the general slowdown in domestic real consumption. Exports are anticipated to increase 2.8 percent for the remainder of the fiscal year and grow 4.0 percent in the first quarter of FY25. A weakening global economy paired with domestic consumption and investment growth slowing has directly impacted the strength in trade flows over the outlook period.

The demand for labor is derived from the demand for US goods and services. As real GDP growth slows the demand for labor weakens, as reflected in the labor outlook (Table 4). US non-farm employment during the second half of FY24 is expected to grow at 1.1 percent and further ease entering the new fiscal year. The service-producing sectors continue to show more employment growth than the goods producing sectors, but not by a large margin. Growth in the service-providing sectors is expected to increase 0.9 percent in the final two quarters of FY24. Educational services employment continues to expand, increasing 3.5 percent in the third and fourth quarters of FY24, compared to the same periods one year prior. Projections indicate that educational services will remain the fastest growing supersector in percentage terms in the first quarter of FY25 as well. Overall growth in the service providing sector is anticipated to maintain its anemic pace entering FY25. The goods-producing sectors are expected to gain 200,000 net annualized jobs in the second half of FY24, or growth of 0.8 percent and decline 0.1 percent in the first quarter of FY25.

The outlook for US personal income projects positive growth in the second half of FY24, increasing 4.5 percent compared to the third and fourth quarters of FY23. Personal income growth for the full year of FY24 is expected to increase by 4.6 percent. The wages and salaries component, representing 51.3 percent of US personal income, is anticipated to continue its positive trajectory with a 4.8 percent increase in the final two quarters of FY24. The projected uptick in personal income is also attributed to an increase in dividends, interest, and rents. This component of personal income, comprising 20.3 percent of total US personal income, is expected to increase 6.5 percent to close out FY24. The steady escalation of interest rates has been instrumental in the growth of dividends, interest, and rents component of personal income. Similar growth is expected entering the first quarter of FY25 – US personal income growth will increase 5.0 percent, compared to the first quarter of FY24. There is a small, but notable, shift in the personal income make up from FY24 to FY25. The wages and salaries component is forecasted to represent 51.1 percent of US personal income, while dividends, interest, and rents is expected to represent 20.7 percent of total US personal income.

Table 3
US Economic Outlook
Interim Forecast

	Q3 & Q4			Full Year		Q1	
	FY24	**FY23**	**% chg**	**FY24**	**% chg**	**FY25**	**% chg**
Real GDP	22,606.2	22,168.8	2.0	22,564.3	2.4	22,669.1	0.8
Real Consumption	15,676.6	15,328.2	2.3	15,608.7	2.4	15,745.0	1.6
Real Investment	4,055.7	3,988.9	1.7	4,068.6	1.3	4,045.3	-1.2
Real Govt. Expenditures	3,851.1	3,774.3	2.0	3,843.4	3.0	3,859.2	0.7
Real Exports	2,564.9	2,495.0	2.8	2,543.5	1.9	2,603.1	4.0
Real Imports	3,558.5	3,426.7	3.8	3,512.3	1.9	3,603.9	4.8
CPI all goods (% chg)	2.8	4.9	NA	3.1	NA	2.7	NA
CPI Food (% chg)	2.1	8.0	NA	2.9	NA	2.0	NA
CPI Energy (% chg)	-2.1	-4.5	NA	-3.3	NA	-0.8	NA
CPI Core (% chg)	3.3	5.4	NA	3.8	NA	3.1	NA
Industrial Production Index (% chg)	0.1	0.4	NA	0.1	NA	-1.1	NA
Unemployment Rate (%)	4.1	3.5	NA	3.9	NA	4.4	NA
Housing Starts (millions, NSA)	1.3	1.4	-6.1	1.4	-4.8	1.3	-2.6

Table 4
US Labor and Income Outlook
Interim Forecast

	Q3 & Q4			Full Year		Q1	
	FY24	FY23	% chg	FY24	% chg	FY25	% chg
Non-farm Employment (millions, NSA)	157.2	155.6	1.1	157.0	1.5	157.2	0.4
Goods-producing	21.7	21.5	0.8	21.7	1.1	21.6	-0.1
Construction	8.1	7.9	2.0	8.0	2.3	8.1	1.3
Mining	0.6	0.6	1.0	0.6	2.8	0.6	-0.3
Manufacturing	13.0	13.0	0.0	13.0	0.2	12.9	-1.0
Service-providing	112.5	111.5	0.9	112.4	1.4	112.5	0.4
Trade, Transportation & Utilities	28.7	28.9	-0.6	28.8	-0.1	28.4	-1.5
Information	3.0	3.1	-1.4	3.0	-1.9	3.0	-0.2
Finance	9.1	9.1	0.3	9.1	0.6	9.2	0.7
Business Services	23.0	22.9	0.4	23.0	0.7	22.9	-0.3
Educational Services	26.0	25.1	3.5	25.8	3.8	26.2	2.6
Leisure and Hospitality Services	16.7	16.5	1.3	16.7	2.5	16.8	1.1
Other Services	5.9	5.8	0.6	5.9	1.4	5.9	0.1
Government	23.0	22.6	2.1	22.9	2.4	23.1	1.4
Personal Income ($ billions, AR)	23,798.2	22,763.7	4.5	23,494.3	4.6	24,247.7	5.0
Wages and Salaries	12,216.6	11,657.6	4.8	12,092.9	5.4	12,381.8	3.9
Transfer Receipts	4,199.6	4,111.3	2.1	4,149.6	2.0	4,246.6	3.7
Dividends, Interest, and Rents	4,837.6	4,543.2	6.5	4,732.9	6.0	5,030.5	9.4
Supplements to Wages and Salaries	2,521.8	2,410.9	4.6	2,491.8	4.7	2,551.7	4.2
Proprietors' Income	1,885.2	1,825.8	3.3	1,870.7	2.7	1,915.4	3.8
Social Insurance	1,862.6	1,785.0	4.3	1,843.6	4.9	1,878.3	3.4
Residence Adjustment	0.0	0.0	NA	0.0	NA	0.0	NA

KENTUCKY ECONOMIC OUTLOOK

The Kentucky labor and income outlook presented in Table 5 was prepared using the November 2023 economic forecast from both S&P Global and the Kentucky MAK model. Kentucky's MAK model uses variables from the national economic outlook to forecast Kentucky employment by supersectors and income by components.

The outlook for personal income projects positive growth in the second half of FY24, increasing 3.9 percent compared to the third and fourth quarters of FY23. Personal income growth for the full year of FY24 is expected to increase by 4.5 percent, implying that the pace of growth in the second half of FY24 is expected to soften from 5.1 percent growth seen in the first two quarters of FY24. Looking ahead to the first quarter of FY25, Kentuckians' personal income growth is expected to remain positive, increasing 4.1 percent compared to the first quarter of FY24.

The wages and salaries component of Kentucky personal income is projected to increase 4.6 percent in the final two quarters of FY24, a pace behind the 7.5 percent growth in the first half of FY24. This pattern in Kentucky wage and salary income was pronounced enough to generate the same behavior in total Kentucky personal income. Year-over-year growth in wages and salaries has been 6.6 percent or greater for the past eleven quarters. Growth significantly higher than the long-run average is difficult to sustain indefinitely. Full year FY24 wages and salaries growth is expected to increase by 6.0 percent when the first two quarters are combined with the forecasted period. Despite the slowing in the rate of growth, the projected wage and salary income of Kentuckians for the four quarters of FY24 is projected to outpace US wages and salaries growth by 0.6 percentage points. Entering the first quarter of FY25, wages and salaries growth is expected to increase 3.4 percent. Wages and salary income comprises the largest overall source of total income, representing approximately half of Kentucky personal income over the outlook period.

Kentucky non-farm employment is anticipated to grow by 1.1 percent over the third and fourth quarters of FY24, adding approximately 21,200 annualized jobs to the Commonwealth's economy. Six of the 11 supersectors are forecasted to experience varying degrees of employment gains over the next six months. In percentage and absolute terms, the service-producing group is poised to experience the most pronounced employment expansion, increasing 1.1 percent for the remainder of the fiscal year, or an annual increase of 14,900 jobs. Among the different service-producing sectors, educational services employment will add more jobs than any other supersector over the final two fiscal quarters of FY24, a gain of 9,200 annualized jobs.

Entering the first quarter of FY25, seven of the 11 supersectors are expected to experience varying degrees of job loss. Total non-farm employment growth is expected to decline 0.1 percent, compared to the first quarter of FY24. In absolute and percentage terms, the goods-providing sector is anticipated to experience the deepest decline, a loss of 2.6 percent compared to one year prior. Job losses are expected across the entirety of the goods-providing sector. In absolute terms, manufacturing employment is anticipated to have the most significant decline within the goods-producing sector, losing 6,400 jobs in the first quarter of FY25 compared to the first quarter in FY24.

Government employment, which includes federal, state, and local government jobs, is anticipated to continue its positive trajectory over the forecast horizon. The government sector is expected to increase by approximately 5,800 annualized jobs, a 1.9 percent increase, compared to the third and fourth fiscal quarters in FY23. An increase of 1.8 percent, or 5,500 annualized jobs in the government sector is forecasted for first quarter of FY25, compared to the same period one year prior.

Table 5
KY Labor and Income Outlook
Interim Forecast

	Q3 & Q4			Full Year		Q1	
	FY24	**FY23**	**% chg**	**FY24**	**% chg**	**FY25**	**% chg**
Non-farm Employment (thousands, NSA)	2,022.2	2,001.1	1.1	2,021.8	1.7	2,022.2	-0.1
Goods-producing	353.7	353.3	0.1	355.5	1.5	352.9	-2.6
Construction	87.3	85.8	1.6	87.9	4.0	87.7	-3.1
Mining	8.4	8.7	-2.5	8.5	0.1	8.3	-4.7
Manufacturing	258.1	258.8	-0.3	259.1	0.8	256.9	-2.4
Service-providing	1,358.4	1,343.5	1.1	1,357.7	1.6	1,358.0	0.2
Trade, Transportation & Utilities	429.0	432.3	-0.8	430.5	0.2	425.2	-1.6
Information	22.2	22.2	-0.1	22.2	0.7	22.1	-0.3
Finance	95.8	95.0	0.9	95.2	-0.6	96.4	3.5
Business Services	232.8	230.9	0.9	232.9	1.3	232.5	-0.5
Educational Services	305.3	296.1	3.1	304.6	3.8	306.6	0.7
Leisure and Hospitality Services	205.6	199.1	3.3	204.3	3.1	207.5	3.1
Other Services	67.7	67.9	-0.4	68.1	0.9	67.7	-1.9
Government	310.1	304.3	1.9	308.6	2.4	311.4	1.8
Personal Income ($ billions, AR)	253.5	243.9	3.9	250.7	4.5	257.3	4.1
Wages and Salaries	126.8	121.3	4.6	125.7	6.0	128.4	3.4
Transfer Receipts	62.9	61.5	2.4	62.1	2.6	63.7	4.3
Dividends, Interest, and Rents	41.1	39.5	4.1	40.5	3.7	42.2	6.2
Supplements to Wages and Salaries	29.8	28.4	4.9	29.4	5.6	30.2	4.3
Proprietors' Income	17.8	17.2	3.4	17.6	3.0	18.0	3.8
Social Insurance	20.3	19.4	4.4	20.1	5.6	20.5	3.5
Residence Adjustment	-4.7	-4.4	NA	-4.6	NA	-4.8	NA

REVENUE RECEIPTS

GENERAL FUND
Second Quarter FY24

After growing 6.9 percent in the first quarter of FY24, General Fund receipts grew at a less robust 1.6 percent in the second quarter. Year-to-date collections now stand at 4.1 percent growth. Collections in the just completed quarter totaled $3,943.3 million compared to $3,880.8 million in the second quarter of FY23. The official General Fund revenue estimate rendered on December 8, 2023, calls for revenue growth of 2.7 percent compared to FY23 receipts. General Fund revenues need to grow 1.3 percent for the remainder of the fiscal year to meet the official estimate.

Second quarter collections increased $62.5 million over FY23 totals. Five of the nine major accounts saw increases in collections over the prior year with most of the gains coming from only two accounts, sales and use and the “other” category. Together, they rose by $152.3 million. The “other” category of accounts contains income from investments, which grew abruptly. The remaining three accounts which saw quarterly revenue increases (LLET, property taxes, and Lottery receipts) combined to grow by only $15.4 million. On the downside, the individual income, corporation income and cigarette taxes fell by a total of $91.7 million. Collections for the major revenue categories are shown in Table 6. Detailed information on all tax accounts can be found in the Appendix.

Table 6
Summary General Fund Receipts
$ millions

	FY24 Q2	FY23 Q2	Diff $	Diff %
Individual Income	1,329.5	1,392.4	-62.9	-4.5
Sales & Use	1,450.3	1,369.0	81.3	5.9
Corp. Inc. & LLET	248.4	261.0	-12.5	-4.8
Property	450.9	448.3	2.6	0.6
Lottery	95.0	88.8	6.3	7.0
Cigarettes	64.4	74.1	-9.7	-13.1
Coal Severance	11.1	24.6	-13.5	-55.1
Other	293.7	222.7	71.0	31.9
Total	**3,943.3**	**3,880.8**	**62.5**	**1.6**

Individual income tax receipts were $1,329.5 million in the second quarter of FY24, a decrease of 4.5 percent, or $62.9 million. This compares to $1,392.4 million that was received in the second quarter of FY23. All of the long-standing components of the tax fell in the quarter with withholding and net returns having the largest declines. Net returns fell by $135.0 million while withholding declined $94.3 million. These drops were offset by collections of $192.7 million from the newly enacted PTET, which contains a dollar-for-dollar refundable credit that can be used to offset income that flows through to the owners of the pass-through entity.

Sales and use receipts rose 5.9 percent in the quarter after growing 5.5 percent in the first quarter. Receipts were $1,450.3 million, $81.3 million more than collected last year. Year-to-date revenues in this account have grown 5.7 percent.

Corporate and LLET receipts decreased 4.8 percent, or $12.5 million, in the second quarter as a $19.0 million decline in the corporation income tax offset a $6.5 million increase in LLET collections. Year-to-date corporate and LLET collections have decreased 4.6 percent over prior year totals.

Property tax receipts grew by 0.6 percent or $2.6 million in the second quarter. Revenues from real property had the largest increase at $18.8 million while Public Service Company collections had the largest decline at $17.8 million. Property tax receipts fluctuate considerably from quarter to quarter because billing timing varies from year to year. It is best to measure the health of property tax receipts in February once all bills have gone out and taxpayers have had sufficient time to make their payments. Year-to-date property tax receipts have grown 1.0 percent over FY23.

Lottery receipts rose 7.0 percent to $95.0 million in the second quarter. Year-to-date collections in this account have grown 5.7 percent.

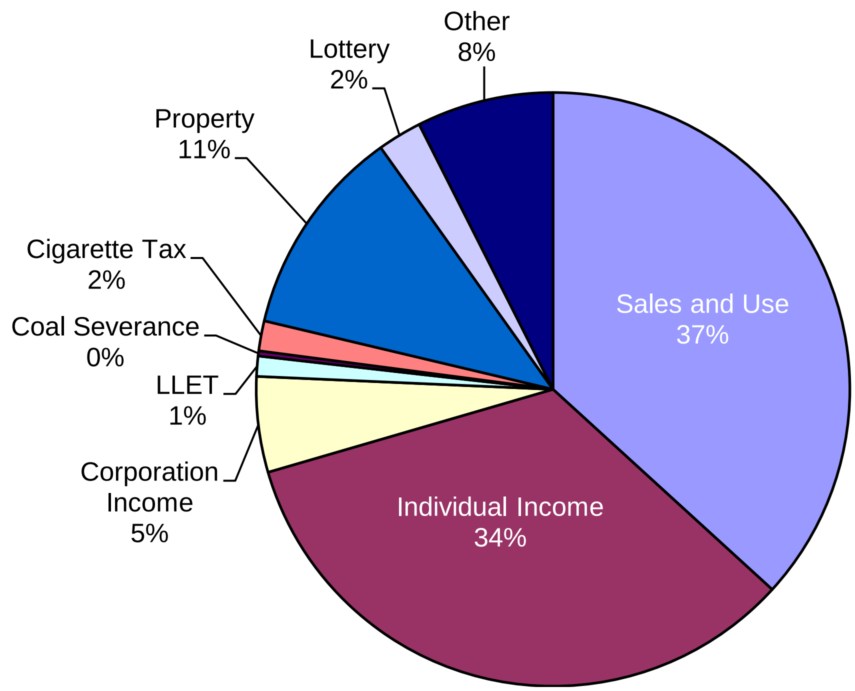
Cigarettes receipts fell 13.1 percent, or $9.7 million, in the just completed quarter. Year-to-date collections in this account have decreased 10.1 percent.

Coal severance receipts fell 55.1 percent in the second quarter to $11.1 million. Collections were adversely affected by one-time, multi-period refunds. Year-to-date collections have decreased 27.8 percent.

The "other" category, which is composed of numerous smaller accounts, increased 31.9 percent in the second quarter. Quarterly receipts were $293.7 million. This is $71.0 million more than was received in the same quarter of FY23. Income on Investments accounted for $47.9 million of the gains.

Figure 1 shows the composition of General Fund revenues by tax type for the second quarter of FY24. Individual income tax and sales and use tax together make up 71 percent of General Fund tax receipts. The next largest sources of revenue were the property taxes, which made up 11 percent of total receipts. Corporate and LLET combined account for six percent of receipts while the "other" category makes up eight percent of receipts. Cigarette taxes and lottery receipts each contribute two percent while coal severance accounts for less than one percent.

Figure 1
Composition of Second Quarter FY24
General Fund Revenues



ROAD FUND
Second Quarter FY24

Total Road Fund receipts have increased in each of the past five quarters at rates ranging from 5.7 percent to 10.2 percent. Collections grew 7.4 percent in the just completed quarter, leaving the year-to-date growth at 8.8 percent. See Table 7. Receipts in the second quarter maintained the strength exhibited in the first three months, growing at a rate just below the 10.2 percent increase from the first quarter. Revenues were consistent in each of the last three months, increasing between 7.1 percent and 7.9 percent each month.

Total receipts received in the second quarter were $451.0 million, which exceeded last year's second quarter total by $31.1 million. Motor vehicle usage and motor fuels receipts accounted for $34.5 million of the quarterly gain. Three of the other major accounts had declines totaling $5.3 million,

Table 7 Summary Road Fund Receipts $ millions				
	FY24 Q2	FY23 Q2	Diff $	Diff %
Motor Fuels	227.5	202.8	24.7	12.2
Motor Vehicle Usage	160.9	151.2	9.8	6.5
Motor Vehicle License	19.2	20.2	-1.0	-5.1
Motor Vehicle Operators	8.2	11.7	-3.6	-30.3
Weight Distance	21.6	22.3	-0.7	-3.1
Income on Investments	4.0	2.5	1.5	61.9
Other	9.6	9.2	0.4	4.5
Total	**451.0**	**419.8**	**31.1**	**7.4**

The official Road Fund revenue estimate, which was agreed upon at the December 8, 2023, meeting calls for a 7.3 percent increase in revenues for the year. Based on year-to-date collections, revenues need to increase 6.0 percent for the remainder of the year to meet the estimate. Summary data are contained in Table 7 and detailed data are shown in the Appendix.

Motor fuels tax receipts rose 12.2 percent, or $24.7 million, during the second quarter after increasing 14.0 percent in the first quarter. The large revenue increase is due to a two-year increase in the tax rate in a single year. In June 2022, Governor Beshear issued an emergency regulation which prevented a two-cents tax increase in the tax rate that was set to begin in July 2022. In July 2023, there was a further 2.1 cents increase in the tax rate that occurred by operation of law, so for the period July 2023 through March 2024, the tax rate on motor fuels will be 4.1 cents per gallon higher than in the previous period. Receipts for the quarter were $227.5 million as compared to $202.8 million collected during the second quarter last year. Year-to-date collections have increased 13.1 percent.

Motor vehicle usage tax receipts rose 6.5 percent in the quarter after increasing 3.4 in the first three months of the fiscal year. For the quarter, revenues were $160.9 million, $9.8 million more than what was received in FY23. Revenues in this account have now increased 4.9 percent through the first six months of FY24.

Motor vehicle license tax receipts have declined in each quarter of FY24, with growth rates of -6.3 percent and -5.1 percent, respectively. Collections for the quarter were $19.2 million compared to $20.2 million in FY23. Year-to-date revenues in this account have fallen 5.7 percent.

Motor vehicle operators' tax receipts fell 30.3 percent in the just completed quarter after increasing more than 225 percent in the first quarter of the year. Timing issues in collections have distorted quarterly revenue comparisons. Year-to-date collections have grown 15.8 percent in this account.

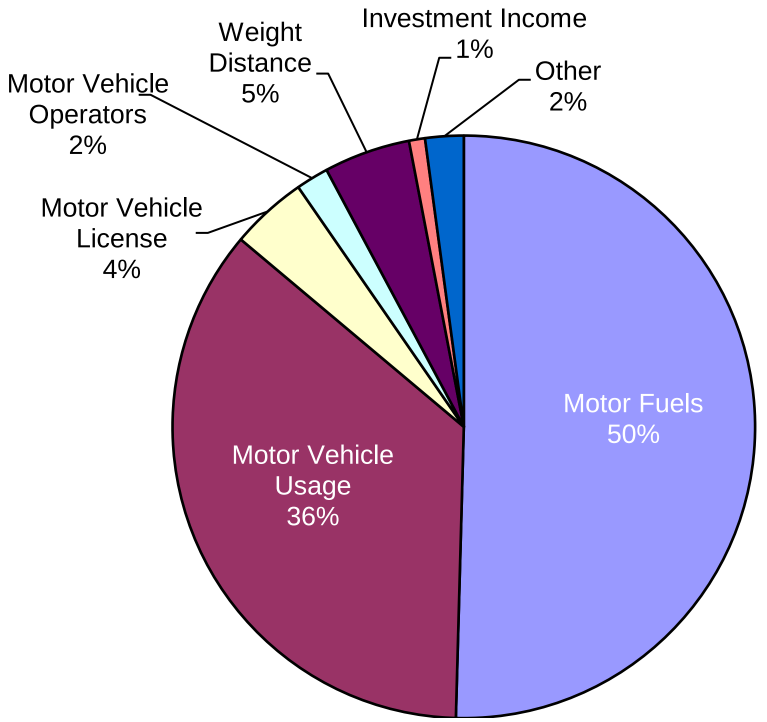
Weight distance tax receipts were $21.6 million in the quarter and represent a 3.1 percent decrease compared to receipts collected during the second quarter of FY23. The weight distance tax has some significance as a leading indicator of economic activity, as it is a rough proxy for goods in transit over Kentucky highways. Through the first six months of FY24, receipts have fallen 2.2 percent.

Investment income was $4.0 million in the second quarter compared to $2.5 million last year. Year-to-date collections in this account stand at $6.9 million as larger cash balances available for investment have led to an improved performance of this revenue source.

The remainder of the accounts in the Road Fund are grouped in the "other" category and consist primarily of fines, fees and miscellaneous receipts. These funds combined to total $9.6 million which is 4.5 percent more than collected in FY23.

Figure 2 shows the composition of Road Fund revenues by tax type in the second quarter. The motor fuels tax and the motor vehicle usage tax are by far the largest components of the Road Fund. Together, they combined for 86 percent of Road Fund revenues in the second quarter. The next largest sources of revenue were the weight distance tax at five percent and motor vehicle license tax at four percent. The motor vehicle operators and the "other" account each accounted for two percent of the total and investment income totaled one percent.

Figure 2
Composition of Second Quarter FY24
Road Fund Revenues



THE ECONOMY
SECOND QUARTER FY24

NATIONAL ECONOMY

Real gross domestic product (real GDP) rose by 2.6 percent in the second quarter of FY24 over the second quarter of FY23. On an adjacent-quarter basis, growth has slowed from the first quarter to the second quarter. The last eight adjacent-quarter growth rates are: -0.5, -0.1, 0.7, 0.6, 0.6, 0.5, 1.2, and 0.3 percent, respectively. Consumption, investment, and government expenditures all contributed to this slowdown in growth in the second quarter.

Real consumption rose 2.7 percent in the second quarter of FY24 over the second quarter of FY23. Real consumption has grown the last seven consecutive quarters. The last eight adjacent-quarter growth rates are: -0.003, 0.5, 0.4, 0.3, 0.9, 0.2, 1.0, and 0.6 percent, respectively. Real consumption is a procyclical series historically. However, there have been some contraction periods where real consumption continued to rise anyway. This happened during the 2001 recession, for instance. During the other two recent recessions (2007 and 2020), real consumption declined side-by-side with real GDP. Real consumption made up 69.1 percent of real GDP in the second quarter of FY24.

Real investment rose 0.2 percent in the second quarter of FY24 over the second quarter of FY23. Real investment has been weak or falling for the last seven quarters. The last eight adjacent-quarter growth rates for real investment are: 1.5, -2.8, -2.0, 0.8, -2.3, 1.3, 2.0, and -0.7 percent, respectively. The previous minimum prime rate (3.25 percent) occurred on March 8, 2022. The Federal Reserve Board then implemented 11 rate increases raising the rate to its current rate of 8.5 percent. As interest rates rise, real investment declines. This is just the nature of investment demand. The persistent high interest rates will continue to put downward pressure on investment. Real investment made up 18.0 percent of real GDP in the second quarter of FY24.

Real government expenditures grew 3.3 percent in the second quarter of FY24 over the second quarter of FY23. Real government expenditures have risen for six quarters in a row following five declines in a row. The last 11 adjacent-quarter growth rates for real government expenditures are: -1.1, -0.4, -0.1, -0.7, -0.5, 0.7, 1.3, 1.2, 0.8, 1.1, and 0.2 percent, respectively. This is, however, an inadequate series to observe what government, specifically the federal government, has actually spent money on in the last three years. It is important to remember that all government expenditures are not contained in the real government expenditures series (component of real GDP). To observe all government expenditures, one must look at government outlays. Real government expenditures made up 17.0 percent of real GDP in the second quarter of FY24.

US outlays increased by 2.8 percent in the second quarter of FY24 over the second quarter of FY23. However, on an adjacent-quarter basis, outlays decreased in the second quarter compared to the first quarter by 0.7 percent. Outlays in the quarter just before the 2020 recession were $4,792.0 billion. Then Congress and the President authorized large stimulus checks for all working citizens. Outlays spiked to $8,830.0 billion, the largest recorded outlays in US history. The next two quarters (FY21 Q1 and Q2) outlays receded, but not back to their pre-recession level. In second quarter of FY21, outlays were $5,863.6 billion. Then new rounds of stimulus checks were authorized by Congress and the Presidents. These new stimulus checks spiked outlays once again. In the third quarter of FY21, outlays were $8,171.3 billion. Outlays then declined significantly for the next four quarters to $5,928.4 billion by the third quarter of FY22. Then for the next six consecutive quarters outlays increased. In the first quarter of FY24, outlays were $6,392.6 billion. In the second quarter of FY24, outlays decreased by 0.7 percent to $6,346.7 billion. Even after several periods of declines, outlays are still significantly higher than pre-recession levels. Outlays in the second quarter of FY24 are $1.6 trillion, or 32.4 percent, higher than pre-recession levels. This means that even without any stimulus checks being released now, the federal government is spending 32.4 percent more than before the 2020 recession.

Outlays grew $1.6 trillion between the recession and the second quarter of FY24. Four categories of outlays made up just over 90 percent of that $1.6 trillion difference: Federal Transfer Payments to Resident Persons ($599.4 billion), Interest on the Debt ($450.8 billion), Grants-in-aid to State and Local Governments ($209.5 billion), and Non-defense Consumption ($151.5 billion). Interest on the Debt was the fastest growing outlay in the second quarter of FY24 compared to the second quarter of FY23. Interest on the Debt rose $185.6 billion, or 22.4 percent. The second quarter of FY24 is also the first time that Interest on the Debt surpassed $1 trillion in US history.

Real exports increased by 2.3 percent in the second quarter of FY24. Real exports have been erratic for the last two years. The last eight adjacent-quarter growth rates are: -1.2, 2.5, 3.8, -0.9, 1.7, -2.4, 1.5, and 1.6 percent, respectively. Despite the three recent declines, real exports have trended upwards. Real exports increased a net $187.7 billion, or 8.0 percent, over that eight quarter period. Real exports made up 11.3 percent of real GDP in the second quarter of FY24.

Real imports increased by 1.2 percent in the second quarter of FY24. Real imports have been weak for well over a year. The last six adjacent-quarter growth rates are: -1.2, -1.1, 0.3, -2.0, 1.4, and 1.5 percent, respectively. Real imports have trended slightly downwards during that time. Real imports have declined a net $4.7 billion, or 0.1 percent, during that six quarter period. Real imports, a deduction from real GDP, made up 15.5 percent of real GDP in the second quarter of FY24.

The prices of all goods (as measured by the CPI for all goods) rose by 3.2 percent in the second quarter of FY24. The rate of increase of prices is called inflation. Inflation has tapered considerably since the peak of 8.6 percent, which occurred in the fourth quarter of FY22. It is important to note that a decline in inflation does not mean that prices declined. In fact, prices have continued to rise in every quarter for the last 35 consecutive quarters. The last time that prices declined was the third quarter of FY15. The CPI for all goods represents a basket of goods as defined by the Bureau of Labor Statistics (BLS). The BLS publishes the CPI for a variety of goods and defines the basket of goods every quarter. In a pure definitional sense, inflation occurs when the price of any item in the basket of goods increases, since the CPI is merely the sum of all prices. Therefore, if one price of one good increases, then inflation must go up. In reality, we never see one price go up and the remaining prices remain constant. There are always dozens of supply-side and demand-side shocks occurring across all goods as income changes that affect prices. Also, changes in one price have complementary and supplementary effects on other goods.

When economists talk about inflation they are generally talking about an increase in the prices of all goods (or most goods) over a given period of time. This type of inflation is caused by an increase in the money supply. The money supply exploded in the period between March 2020 and May 2020. The money supply increased 304.5 percent during that short time. The money supply increased by 433.3 percent between March 2020 and April 2022. This led to significant increases in the CPI and inflation. The CPI rose by a net 20.2 percent from the fourth quarter of FY20 to the second quarter of FY24. Inflation often occurs in waves as long-production cycle goods are placed on the market long-after a money supply shock occurs. Consider the meat market. Cows and pigs are fed higher-priced grains and other feed for many months or even for years before they are slaughtered and the meat that is put on the supermarket shelf is finally realized at the higher price. This is why inflation persists long after a money supply shock has ended.

US personal income grew by 4.6 percent in the second quarter of FY24 compared to the second quarter of FY23. All five contributing components of personal income grew in the second quarter of FY24. Wages and salaries income was the fastest growing component, growing 6.3 percent in the second quarter of FY24 over the second quarter of FY23. See Table 10. All personal income data is nominal, not real; therefore inflation (not production) is the cause of some of the growth. Wages and salaries growth has tapered over the last four quarters. The last six adjacent-quarter growth rates for wages and salaries are: 2.6, 0.4, 2.2, 1.6, 1.4, and 1.0 percent, respectively. Wages and salaries made up 51.6 percent of total personal income in the second quarter of FY24.

US non-farm employment rose 1.8 percent in the second quarter of FY24. US non-farm employment growth has continued to soften for the last eight quarters. The last eight adjacent-quarter growth rates for US non-farm employment are: 1.1, 0.8, 0.8, 0.6, 0.6, 0.4, 0.4, and 0.4 percent, respectively.

The fastest growing employment sector in the second quarter of FY24 is educational services, which grew 4.1 percent compared to the second quarter of FY23. Adjacent-quarter growth in this sector has been above average for the last seven quarters. The average adjacent-quarter growth in educational services employment from 2000 to present is 0.6 percent. The last nine adjacent-quarter growth rates in educational services employment are: 0.6, 0.5, 0.9, 1.3, 1.0, 1.0, 0.9, 1.1, and 1.0 percent, respectively. Educational services employment made up 16.4 percent of total non-farm employment in the second quarter of FY24.

Information services employment was the only employment sector which declined in the second quarter of FY24, dropping 2.8 percent compared to the second quarter of FY23. Information services employment has declined on an adjacent-quarter basis for the last four consecutive quarters. The last nine adjacent-quarter growth rates are: 2.0, 1.5, 2.2, 1.5, 0.4, -0.9, -0.1, -1.4, and -0.4 percent, respectively. Information services employment is the second smallest employment sector and made up 1.9 percent of total non-farm employment in the second quarter of FY24.

KENTUCKY ECONOMY

Kentucky non-farm employment rose by 2.1 percent in the second quarter of FY24 compared to the second quarter of FY23. See Table 11. However, Kentucky non-farm employment declined by 0.2 percent in the second quarter of FY24 compared to the first quarter of FY24. This is the first time that Kentucky non-farm employment has declined since the fourth quarter of FY20, which was the final quarter of the 2020 recession. The last nine adjacent-quarter growth rates for Kentucky non-farm employment are: 1.2, 0.8, 0.4, 0.9, 0.3, 0.8, 0.8, 0.8, and -0.2 percent, respectively.

The fastest growing sector in the second quarter of FY24 was construction employment. Construction employment grew by 4.7 percent in the second quarter of FY24 over the second quarter of FY23. However, on an adjacent-quarter basis, construction employment declined by 4.3 percent in the second quarter of FY24 compared to the first quarter of FY24. There has been considerable volatility in construction employment in the last two years. Despite that volatility, the overall employment trend during that time has been positive. The last nine adjacent-quarter growth rates for construction employment are: 2.0, 1.7, -0.5, 2.1, -1.0, 2.5, 2.5, 4.1, and -4.3 percent, respectively. The net increase in employment over that period is 7,300 jobs, a net 9.2 percent gain. Construction employment made up 4.3 percent of total Kentucky non-farm employment in the second quarter of FY24.

Educational services employment also grew robustly in the second quarter of FY24 compared to the second quarter of FY23. Educational services employment grew by 4.0 percent in the second quarter of FY24 compared to the second quarter of FY23. Educational services employment declined by 0.4 percent in the second quarter of FY24 compared to the first quarter of FY24. The last nine adjacent-quarter growth rates for educational services are: 0.2, 0.3, 0.6, 1.4, 0.5, 1.0, 1.0, 2.3, and -0.4 percent, respectively. Educational services employment made up 15.0 percent of total Kentucky non-farm employment in the second quarter of FY24.

Financial services employment was the only sector which lost jobs in the second quarter of FY24 compared to the second quarter of FY23. Financial services employment lost 0.02 percent in the second quarter of FY24 compared to the second quarter of FY23. Financial services employment has experienced lots of weakness and losses in the last two years. On an adjacent-quarter basis, however, financial services employment rose by a robust 2.8 percent, or 2,600 jobs, in the second quarter of FY24 compared to the first quarter of FY24, undoing much of the recent weaknesses in the sector. The last nine quarters of adjacent-quarter growth are: 0.8, -0.3, 0.5, 0.03, -1.2, -0.6, -0.6, -1.6, and 2.8 percent, respectively. Financial services employment is up a net 4,600 jobs since the end of the 2020 recession. Financial services employment made up 4.7 percent of total Kentucky non-farm employment in the second quarter of FY24.

Kentucky personal income rose 5.2 percent in the second quarter of FY24 compared to the second quarter of FY23. Much of that annual growth occurred in the third quarter of FY23. On an adjacent-quarter basis, growth has softened some in the last three quarters, but is still positive. The last nine quarters of adjacent-quarter growth are: 0.3, 1.3, 0.8, 0.7, 0.5, 2.5, 1.4, 0.6, and 0.7 percent, respectively. All five contributing components of personal income grew in the second quarter.

Kentucky wages and salaries income grew the fastest among all the personal income components in the second quarter of FY24. Kentucky wages and salaries income grew by 7.8 percent in the second quarter compared to the second quarter of FY23. Wages and salaries in Kentucky have softened somewhat in the last three quarters but are still growing. The last nine adjacent-quarter growth rates are: 2.7, 1.7, 1.9, 2.8, -0.01, 3.7, 1.8, 1.5, and 0.7 percent, respectively. Average adjacent-quarter growth since 2000 is 0.9 percent. Therefore, most of the last nine growth rates exceed the average. Kentucky wages and salaries income made up 50.3 percent of total Kentucky personal income in the second quarter of FY24.

Table 8
History of US Economic Variables

	FY23						FY24			
	Q2	% chg	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg
Real GDP ($ billions, AR)	21,990.0	0.7	22,112.3	1.7	22,225.4	2.4	22,491.6	2.9	22,553.2	2.6
Real Consumption	15,171.4	1.2	15,312.9	2.1	15,343.6	1.8	15,494.2	2.4	15,587.5	2.7
Real Investment	4,058.5	-2.4	3,963.7	-6.1	4,014.1	-2.2	4,096.1	1.8	4,067.0	0.2
Real Government Expenditures	3,714.8	0.8	3,758.8	2.7	3,789.8	4.1	3,832.6	4.5	3,838.7	3.3
Real Exports	2,484.1	4.3	2,525.4	7.3	2,464.7	2.1	2,502.3	-0.2	2,541.8	2.3
Real Imports	3,449.6	2.1	3,460.5	-1.0	3,392.9	-3.9	3,439.9	-1.4	3,492.2	1.2
CPI - All Goods (% chg)	7.1	NA	5.8	NA	4.1	NA	3.6	NA	3.2	NA
CPI - Food (% chg)	10.7	NA	9.4	NA	6.7	NA	4.3	NA	2.9	NA
CPI - Energy (% chg)	12.6	NA	2.0	NA	-11.1	NA	-5.6	NA	-3.3	NA
Core CPI (% chg)	6.0	NA	5.6	NA	5.2	NA	4.4	NA	4.0	NA
Industrial Prod. Index (% chg)	1.8	NA	0.9	NA	0.0	NA	0.1	NA	0.0	NA
Working Population (millions, NSA)	264.7	1.0	266.1	1.1	266.6	1.1	267.2	1.1	267.8	1.2
Civilian Labor Force	164.4	1.6	166.0	1.5	166.9	1.7	168.0	1.9	167.5	1.9
Employed	158.9	2.2	159.7	1.8	161.2	1.8	161.7	1.7	161.5	1.6
Unemployed	5.5	-14.0	6.3	-6.3	5.7	-0.8	6.3	6.0	5.9	8.2
Not in Labor Force	100.3	0.1	100.1	0.4	99.7	0.2	99.2	-0.1	100.3	0.1
Labor Force Participation Rate (%)	62.2	NA	62.5	NA	62.6	NA	62.7	NA	62.6	NA
Unemployment Rate (%)	3.6	NA	3.5	NA	3.5	NA	3.7	NA	3.9	NA
Housing Starts (millions, AR)	1.4	-16.9	1.4	-19.3	1.4	-11.4	1.4	-6.0	1.4	-0.9

Table 9
US Federal Outlays
$ billions, AR

	Second Quarter			
	FY24	FY23	Chg	% Chg
Federal Outlays excl. Gross Investment	6,346.7	6,175.7	171.0	2.8
National Defense	782.1	743.6	38.5	5.2
Non-Defense Consumption	565.1	524.3	40.7	7.8
Federal Transfer Payments to Resident Persons	2,946.0	2,896.7	49.3	1.7
Medicare	952.1	934.2	17.9	1.9
Social Security	1,372.2	1,225.8	146.4	11.9
Social Insurance to Rest of the World	34.0	29.0	5.0	17.3
Grants-in-Aid to State & Local Govts	831.3	946.2	-114.9	-12.1
Medicaid	573.9	607.1	-33.2	-5.5
Non-Medicaid Grants to State & Local Govts	257.4	339.1	-81.7	-24.1
Aid to Foreign Govts	70.0	87.4	-17.4	-19.9
Interest on the Debt	1,015.2	829.6	185.6	22.4
Subsidies	103.0	108.6	-5.6	-5.1

Table 10
History of US Labor and Income Data

	FY23						FY24			
	Q2	% chg	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg
Non-farm Employment (millions, NSA)	154.3	3.4	155.2	2.9	155.9	2.5	156.5	2.1	157.1	1.8
Goods-producing	21.4	3.6	21.5	2.9	21.6	2.0	21.6	1.6	21.7	1.2
Mining	0.6	8.7	0.6	8.6	0.6	6.6	0.6	5.2	0.6	4.0
Construction	7.8	3.7	7.9	3.2	7.9	2.6	8.0	2.7	8.0	2.6
Manufacturing	13.0	3.4	13.0	2.5	13.0	1.5	13.0	0.8	13.0	0.1
Service-providing	110.6	3.9	111.2	3.1	111.7	2.7	112.1	2.1	112.5	1.7
Trade, Transportation & Utilities	28.8	2.4	28.9	1.3	28.9	0.8	28.9	0.4	28.9	0.4
Information	3.1	5.7	3.1	3.1	3.1	0.8	3.0	-2.0	3.0	-2.8
Finance	9.1	2.1	9.1	1.4	9.1	1.0	9.2	1.0	9.1	0.6
Business Services	22.8	3.9	22.9	2.6	23.0	2.2	23.0	1.3	23.0	1.0
Educational Services	24.7	3.8	25.0	4.3	25.2	4.3	25.5	4.2	25.8	4.1
Leisure and Hospitality Services	16.2	7.5	16.5	6.2	16.6	5.5	16.7	4.3	16.7	3.1
Other Services	5.8	3.4	5.8	3.3	5.9	3.0	5.9	2.5	5.9	1.9
Government	22.3	1.2	22.5	1.9	22.6	2.3	22.8	2.6	22.9	2.8
Personal Income ($ billions, AR)	22,274.1	4.7	22,643.9	5.8	22,883.4	5.6	23,082.9	4.8	23,297.9	4.6
Wages and Salaries	11,317.0	5.2	11,565.4	6.2	11,749.7	6.9	11,911.4	5.7	12,027.0	6.3
Transfer Receipts	4,073.7	3.0	4,102.4	3.6	4,120.1	3.2	4,093.8	2.8	4,105.4	0.8
Dividends, Interest, and Rents	4,432.8	6.7	4,522.8	8.2	4,563.7	6.6	4,598.8	5.8	4,657.8	5.1
Supplements to Wages and Salaries	2,357.9	3.8	2,399.8	4.8	2,422.0	5.0	2,449.7	4.8	2,473.7	4.9
Proprietors' Income	1,825.3	3.2	1,827.4	4.0	1,824.1	2.8	1,845.8	2.1	1,866.7	2.3
Social Insurance	1,732.8	6.9	1,773.9	6.7	1,796.2	6.6	1,816.7	5.2	1,832.6	5.8
Residential Adjustment	0.0	NA	0.0	NA	0.0	NA	0.0	NA	0.0	NA

Table 11
History of KY Labor and Income Data

	FY23						FY24			
	Q2	% chg	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg
Non-farm Employment (thousands, NSA)	1,978.0	2.4	1,993.4	2.4	2,008.7	2.8	2,023.9	2.6	2,018.9	2.1
Goods-producing	347.0	3.9	350.3	3.9	356.3	4.2	362.5	4.5	352.2	1.5
Mining	8.6	11.7	8.7	8.8	8.6	5.2	8.7	5.2	8.6	0.3
Construction	82.7	2.3	84.8	3.0	86.9	6.2	90.5	8.3	86.6	4.7
Manufacturing	255.7	4.2	256.9	4.0	260.8	3.5	263.2	3.2	257.0	0.5
Service-providing	1,330.8	2.4	1,340.9	2.3	1,346.1	2.4	1,355.5	2.0	1,358.5	2.1
Trade, Transportation & Utilities	429.0	2.0	432.4	2.1	432.1	2.2	431.9	1.6	432.1	0.7
Information	22.0	6.3	22.2	5.6	22.2	4.9	22.2	2.2	22.2	0.9
Finance	95.8	-1.1	95.3	-1.3	94.7	-2.3	93.2	-3.9	95.8	-0.02
Business Services	227.7	2.1	229.5	1.3	232.2	1.7	233.7	1.3	232.2	2.0
Educational Services	291.6	2.8	294.6	3.6	297.6	4.0	304.4	4.9	303.3	4.0
Leisure and Hospitality Services	197.7	4.2	199.5	3.1	198.8	3.1	201.2	2.2	204.9	3.7
Other Services	67.0	3.8	67.5	3.5	68.4	4.1	69.0	3.1	67.9	1.3
Government	300.3	0.3	302.2	1.2	306.3	2.8	305.9	3.0	308.2	2.6
Personal Income ($ billions, AR)	236.4	3.3	242.2	4.5	245.7	5.1	247.1	5.0	248.8	5.2
Wages and Salaries	116.0	6.6	120.2	8.6	122.4	8.5	124.2	7.1	125.0	7.8
Transfer Receipts	59.8	-3.5	60.9	-1.7	62.0	1.5	61.1	2.8	61.4	2.6
Dividends, Interest, and Rents	38.8	6.9	39.4	5.1	39.6	4.3	39.7	3.5	40.1	3.2
Supplements to Wages and Salaries	27.4	3.1	28.3	5.8	28.6	5.7	28.9	5.8	29.2	6.8
Proprietors' Income	17.1	4.1	17.2	2.8	17.2	1.6	17.4	2.8	17.6	2.5
Social Insurance	18.6	6.7	19.3	8.1	19.6	7.7	19.8	6.3	20.0	7.4
Residential Adjustment	-4.1	NA	-4.4	NA	-4.5	NA	-4.4	NA	-4.5	NA

APPENDIX

General Fund and Road Fund Revenue Receipts

SECOND QUARTER FY24

Kentucky State Government – General Fund

	Second Quarter FY 2024	Second Quarter FY 2023	% Change	Year-To-Date FY 2024	Year-To-Date FY 2023	% Change
TOTAL GENERAL FUND	**$3,943,314,509**	**$3,880,845,343**	**1.6%**	**$7,743,648,512**	**$7,437,436,364**	**4.1%**
Tax Receipts	**$3,719,162,171**	**$3,712,515,924**	**0.2%**	**$7,351,076,446**	**$7,159,177,329**	**2.7%**
Sales and Gross Receip	**$1,640,671,327**	**$1,550,568,166**	**5.8%**	**$3,325,569,247**	**$3,162,885,082**	**5.1%**
Beer Consumption	1,426,560	1,531,204	-6.8%	3,104,658	3,305,377	-6.1%
Beer Wholesale	17,305,699	17,180,232	0.7%	36,771,124	37,375,869	-1.6%
Cigarette	64,385,867	74,122,599	-13.1%	139,606,976	155,270,240	-10.1%
Distilled Spirits Case Sales	123,974	49,788	149.0%	181,389	120,966	49.9%
Distilled Spirits Consumptio	5,470,219	4,801,096	13.9%	9,302,974	9,559,845	-2.7%
Distilled Spirits Wholesale	22,863,697	19,539,136	17.0%	37,980,729	37,422,381	1.5%
Insurance Premium	18,433,629	11,641,121	58.3%	62,870,186	57,858,245	8.7%
Pari-Mutuel	13,557,249	16,919,668	-19.9%	21,262,433	24,010,753	-11.4%
Race Track Admission	0	0	---	0	63,820	-100.0%
Sales and Use	1,450,294,055	1,368,951,418	5.9%	2,923,719,585	2,766,074,441	5.7%
Wine Consumption	853,595	834,652	2.3%	1,504,366	1,598,431	-5.9%
Wine Wholesale	5,767,462	5,423,327	6.3%	9,880,989	10,160,524	-2.8%
Telecommunications Tax	19,133,124	18,960,567	0.9%	36,791,301	37,841,603	-2.8%
Other Tobacco Products	10,465,797	10,612,759	-1.4%	21,051,602	22,220,225	-5.3%
Floor Stock Tax	48	600	-92.0%	969	2,364	-59.0%
Car Rental & Ride Sharing	10,590,352	0	---	21,539,966	0	---
Natural Resources	**$21,040,903**	**$37,772,980**	**-44.3%**	**53,551,923**	**$75,506,466**	**-29.1%**
Coal Severance	11,054,388	24,599,245	-55.1%	33,725,102	46,730,463	-27.8%
Oil Production	1,548,952	1,825,834	-15.2%	2,901,049	4,395,145	-34.0%
Minerals Severance	7,828,982	7,119,049	10.0%	15,115,112	14,830,762	1.9%
Natural Gas Severance	608,582	4,228,852	-85.6%	1,810,659	9,550,096	-81.0%
Individual Income Tax	**$1,329,501,837**	**$1,392,409,299**	**-4.5%**	**2,834,659,008**	**$2,761,316,874**	**2.7%**
Withholding	1,211,878,378	1,306,200,350	-7.2%	2,422,301,077	2,526,108,136	-4.1%
Declarations	32,537,934	47,032,458	-30.8%	128,185,533	190,175,346	-32.6%
Net Returns	(95,235,494)	39,737,228	-339.7%	(80,004,685)	46,610,399	-271.6%
Fiduciary	(12,330,049)	(560,738)	---	(15,838,306)	(1,577,006)	---
Pass-Through Entity Tax	192,651,069	0	---	380,015,389	0	---
Major Business Taxes	**$248,432,428**	**$260,971,312**	**-4.8%**	**570,776,306**	**$598,150,079**	**-4.6%**
Corporation Income	205,133,230	224,178,305	-8.5%	461,732,474	515,668,521	-10.5%
LLET	43,299,198	36,793,007	17.7%	109,043,832	82,481,558	32.2%
Property	**$450,919,566**	**$448,325,875**	**0.6%**	**521,660,253**	**516,305,533**	**1.0%**
General - Real	271,441,796	252,639,598	7.4%	271,998,134	252,365,632	7.8%
General - Tangible	89,049,215	95,129,654	-6.4%	102,080,354	104,183,900	-2.0%
Tangible - Motor Vehicle	40,393,211	35,554,268	13.6%	84,831,732	80,878,917	4.9%
Omitted & Delinquent	4,869,616	3,617,296	34.6%	8,830,393	3,776,586	133.8%
Public Service	43,089,942	60,901,849	-29.2%	50,925,975	72,570,410	-29.8%
Other	2,075,787	483,210	329.6%	2,993,664	2,530,089	18.3%
Inheritance Tax	**$22,945,046**	**$16,672,169**	**37.6%**	**40,304,821**	**$40,107,613**	**0.5%**
Miscellaneous	**$5,651,064**	**$5,796,123**	**-2.5%**	**4,554,889**	**4,905,682**	**-7.2%**
License and Privilege	$387,036	$586,788	-34.0%	915,259	988,907	-7.4%
Bank Franchise	($110,166)	$69,793	---	(851,957)	65,313	---
Legal Process	2,223,120	2,244,785	-1.0%	4,431,787	4,626,693	-4.2%
T. V. A. In Lieu Payments	3,148,249	2,892,155	8.9%	56,976	(798,991)	---
Other	2,824	2,602	8.6%	2,824	23,759	-88.1%
Nontax Receipts	$223,795,414	$161,592,088	38.5%	391,367,409	$271,182,941	44.3%
Departmental Fees	3,258,915	2,374,029	37.3%	6,401,374	6,042,737	5.9%
PSC Assessment Fee	74,298	50,149	48.2%	11,160,970	10,203,674	9.4%
Fines & Forfeitures	6,236,920	4,801,563	29.9%	11,587,703	9,655,194	20.0%
Income on Investments	72,557,717	24,634,828	194.5%	141,352,468	37,643,337	275.5%
Lottery	95,048,869	88,790,883	7.0%	173,048,869	163,790,883	5.7%
Miscellaneous	46,618,696	40,940,636	13.9%	47,816,026	43,847,118	9.1%
Redeposit of State Fund	**$356,923**	**$6,737,331**	**-94.7%**	**1,204,657**	**$7,076,093**	**-83.0%**

Kentucky State Government – Road Fund

	First Quarter FY 2024	First Quarter FY 2023	% Change
TOTAL STATE ROAD FUND	**$465,639,422**	**$422,642,759**	**10.2%**
Tax Receipts-	**$454,838,624**	**$417,066,629**	**9.1%**
Sales and Gross Receipts	**$401,450,172**	**$367,780,456**	**9.2%**
Motor Fuels Taxes	228,123,504	200,142,382	14.0%
Motor Vehicle Usage	173,326,668	167,638,074	3.4%
License and Privilege	**$53,388,452**	**$49,286,173**	**8.3%**
Motor Vehicles	20,671,582	22,069,753	-6.3%
Motor Vehicle Operators	8,362,749	2,544,287	228.7%
Weight Distance	22,086,349	22,383,722	-1.3%
Truck Decal Fees	46,800	67,720	-30.9%
Other Special Fees	2,220,972	2,220,690	0.0%
Nontax Receipts	**$9,448,062**	**$5,472,653**	**72.6%**
Departmental Fees	5,082,529	7,104,409	-28.5%
In Lieu of Traffic Fines	45,060	116,685	-61.4%
Income on Investments	2,906,950	(2,798,577)	---
Miscellaneous	1,413,523	1,050,136	34.6%
Redeposit of State Funds	**$1,352,736**	**$103,478**	**1207.3%**

An electronic version of this report is available for viewing and downloading in PDF format at the Office of the State Budget Director's web site. To access this report, set your browser to http://www.osbd.ky.gov.

Glossary

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

Tables Notes

Table 3
Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars. Components do not sum to GDP because they are annualized independently.
Source: IHS Markit - Economics & Country Risk, November 8, 2023 data release.

Table 4
Not Seasonally Adjusted, Data for FY24 Q2 are November 2023 estimates.
Source: IHS Markit - Economics & Country Risk, November 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 FY24 Q2 are November 2023 estimates.
Source: IHS Markit - Economics & Country Risk, November 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, November 2023.

Table 10
Seasonally Adjusted. Data for FY24 Q2 are November 2023 estimates.
Source: IHS Markit – Economics & Country Risk, November 8, 2023 data release.