

COMMONWEALTH OF KENTUCKY

Quarterly Economic & Revenue Report

Third Quarter Fiscal Year 2024



GOVERNOR'S OFFICE FOR ECONOMIC ANALYSIS

OFFICE OF STATE BUDGET DIRECTOR

TEAM
KENTUCKY®



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April 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 Governor Beshear, Mr. Hartz, and Ms. Comstock:

Pursuant to KRS 48.400(2), the enclosed Quarterly Economic and Revenue Report summarizes Kentucky's revenue and economic conditions for the third quarter of Fiscal Year 2024 (FY24). This report also provides an interim revenue and economic outlook for the next three fiscal quarters.

The official estimate for the General Fund listed in Table 1, \$15,554.5 million, was agreed upon at the December 2023 meeting of the state Consensus Forecasting Group (CFG). The interim unofficial estimate for FY24 profiled in this report is \$15,555.9 million, which would generate revenue of \$1.4 million above the official estimate for the General Fund. Projected growth in the fourth quarter is -0.4 percent and annual growth for FY24 is predicted to be 2.7 percent.

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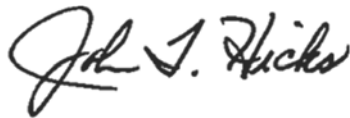
Governor Beshear, Mr. Hartz, Ms. Comstock
April 30, 2024
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Despite being right on track to hit the official estimate for FY24, the forecast does call for a small decline of 0.4 percent in General Fund revenues during the fourth quarter of FY24. The revenue decline in the fourth quarter of FY24 is primarily due to timing issues in the major business taxes, despite projected growth in post-tax profits. A sharper decline in the first half of FY25 is attributable to timing in the individual income tax. The newly enacted pass-through entity tax is expected to generate FY25 refunds which resulted from PTET payments received in FY24, a pattern that was built into the official consensus estimates.

The full-year FY24 Road Fund forecast is \$7.2 million less than the official estimate that was agreed upon at the December 2023 meeting of the CFG. Looking ahead to the first half of FY25, receipts are expected to decline 1.7 percent as both major revenue sources, motor fuels and motor vehicle usage tax, are forecasted to decline from FY24 levels. Third quarter collections were \$447.9 million, \$19.2 million more than what was received last year.

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

Sincerely,

A handwritten signature in black ink that reads "John T. Hicks". The signature is written in a cursive, flowing style.

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 third quarter of Fiscal Year 2024 (FY24). This interim report includes the actual revenue receipts and economic conditions for the third 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 fourth quarter of FY24 through the first half of FY25 (the forecasting horizon).

The interim General Fund and Road Fund outlooks prepared pursuant to KRS 48.400(2) will be compared to the official estimates agreed to by the Consensus Forecasting Group (CFG) on December 8, 2023. Forecasted revenues presented in Table 1 were projected using the March 2024 economic forecast from both S&P Global and the Kentucky MAK model as the primary inputs. In addition, the revenue estimates incorporate various tax law changes enacted during recent legislative sessions of the General Assembly, up to and including the 2024 Regular Session of the General Assembly.

Projected General Fund Growth for the Forecasting Horizon

The interim estimate of \$15,555.9 million is indistinguishable from the December 2023 official CFG estimates of \$15,554.5 million. The interim estimates predict that the combined business taxes will fall short of the consensus estimates by \$125.9 million and exceed the estimates in the sales tax by \$41.2 million and by \$80.5 million in the individual income tax. The interim estimate for the remaining revenue sources combines to total \$5.5 million more than the consensus estimates. In sum, the interim estimate is \$1.4 million greater than the official estimate for FY24. General Fund revenues equal to the interim 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. This estimated surplus was recently acted on by the General Assembly by directing it to the Budget Reserve Trust Fund and concurrently appropriating about \$500 million of it in the current fiscal year.

Despite being right on track to hit the current official estimate, the forecast does call for a small decline of 0.4 percent in General Fund revenues during the fourth quarter of FY24. A much larger decline of 8.4 percent is expected for the first half of FY25. However, it would be incorrect to infer that that the projected revenue declines in the interim forecast stem from any underlying weakness in the Kentucky economy. The revenue decline in the fourth quarter of FY24 is primarily due to timing issues in the

major business taxes, despite projected growth in post-tax profits. The decline in the first half of FY25 is attributable to timing in the individual income tax. The newly enacted pass-through-entity tax (PTET) is expected to generate FY25 refunds which resulted from PTET payments received in FY24 – an effect built into the official estimates.

Projected Road Fund Growth for the Forecasting Horizon

Road Fund revenues have grown 7.3 percent year-to-date, but the rate of growth has slowed in each quarter. The outlook is for revenue growth to remain modest in the final quarter of FY24 but decline over the first half of FY25. Motor fuels collections have accounted for the majority of the \$93.3 million increase in Road Fund revenues thus far in FY24. The full-year interim forecast for the Road Fund is \$7.2 million less than the official forecast which was approved by the CFG in December 2023. Looking ahead to the first half of FY25, receipts are expected to decline 1.7 percent as both major revenue sources, motor fuels and motor vehicle usage tax, are forecasted to decline from FY24 levels.

Summary of Projected Major Economic Factors

Real GDP is expected to increase 3.0 percent in the fourth quarter of FY24, which will round out the fiscal year at a 3.0 percent rate of growth. Growth in real GDP is expected to moderate slightly in the first half of FY25, increasing by a rate of 1.9 percent. In comparison, the current interim forecast for real GDP in the final quarter of FY24 is slightly higher than the fourth quarter estimates that were the basis for the official consensus estimates rendered using the November data by the CFG in December 2023. The same applies to the first half of FY25.

The outlook for the CPI for all goods predicts a 3.1 percent rate of inflation for the fourth quarter of FY24 and full-year inflation for FY24 at 3.3 percent. Entering the first half of FY25, inflation is anticipated to surge to 7.7 percent, a clear set back to reaching the Fed's long-term objective of a two-percent rate of inflation. Food and energy prices are expected to ignite the CPI index for all goods.

The interim estimate for Kentucky wage and salary income is expected to grow 5.5 percent in the fourth quarter of FY24 followed by 4.6 percent growth in the first half of FY25. Wages and salaries, the largest component of personal income, exhibit marginally higher growth for the entire three-quarter interim forecast than the wages and salaries component used for the official estimates. Kentucky wage and salary income is a key driver for the withholding component of the individual income tax as well as contributor to the sales tax estimate. Overall, the difference between the two forecasts for personal income and wage and salary income is rather small, which partially explains why the interim revenue estimates reported above are so similar to the official estimates.

Summary of Third Quarter Tax Receipts

General Fund revenues grew 3.5 percent in the third quarter on the strength of sales and use, property taxes, and “other” receipts. After a strong start to FY24, where collections rose 6.9 percent, revenue growth slowed to 1.6 percent in the following quarter and 3.5 percent in the third. Receipts in the just completed quarter were \$3,530.8 million, \$118.7 million more than what was received in the third quarter of FY23. Collectively, the sales and use, property and “other” accounts brought in \$145.7 million more than in the same period last year. In contrast, individual income tax collections were \$4.8 million more than what was received in the previous year. General Fund revenues have now grown 3.9 percent through the first nine months of the year.

Road Fund receipts rose 4.5 percent during the third quarter of FY24 on the strength of motor fuels collections. The third quarter growth rate is lowest thus far in FY24 for the Road Fund following growth of 10.2 percent in first quarter and 7.4 percent in the second quarter. Third quarter collections were \$447.9 million, \$19.2 million more than what was received last year. FY24 growth in motor fuels revenue was aided by an emergency regulation that froze the tax rate at FY22 levels between July 2022 and March 2023, thus lowering the base of comparison when measuring FY24 growth. Year-to-date Road Fund collections have grown 7.3 percent. Road Fund revenues are on pace to meet the official estimate which calls for a 7.3 percent increase in revenue for the year. Based on year-to-date tax collections, revenues must increase 7.3 percent in the final quarter of the fiscal year to meet the revenue estimate.

Summary of the Economy for the Third Quarter of FY24

Real GDP grew by 3.0 percent in the third quarter of FY24. Modest growth in real consumption, real investment and real government expenditures all contributed to the growth in real GDP. Inflation was 3.1 percent during the quarter. US non-farm employment rose by 1.8 percent, with the fastest growing supersector being educational services employment, which grew by 4.2 percent. US personal income grew by 4.6 percent in the third quarter of FY24 compared to the same quarter last year. US wages and salaries was the strongest among the personal income components and grew 5.7 percent.

Kentucky non-farm employment grew 1.5 percent in the third quarter of FY24 compared to the third quarter of FY23. The fastest growing supersector was educational services employment, which grew by 3.6 percent. Kentucky personal income rose 3.8 percent in the third quarter of FY24. Kentucky personal income adjacent-quarter growth has improved over the last four quarters. Kentucky wages and salaries was the strongest component in the third quarter growing 4.6 percent over the third quarter of FY23. Kentucky wages and salaries has displayed strong growth for the last three quarters.

REVENUE & ECONOMIC OUTLOOK

GENERAL FUND

The interim outlooks for the General Fund and Road Fund were prepared pursuant to KRS 48.400(2) using the March 2024 forecasts from both S&P Global and the Kentucky MAK model as the primary inputs. 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 half of FY25 (the forecasting horizon).

Table 1 displays the interim estimates for the General Fund. The forecast indicates that revenues will end FY24 within \$1.4 million of the official estimate. In other words, the interim estimate of \$15,555.9 million is virtually unchanged from the December 2023 official CFG estimates of \$15,554.5 million. General Fund revenues equal to the interim 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. This estimated surplus was recently acted on by the General Assembly by directing it to the Budget Reserve Trust Fund and concurrently appropriating about \$500 million of it in the current fiscal year.

Table 1
General Fund Interim Outlook
\$ millions

	FY24						FY24		FY25	
	Q1, Q2, & Q3		Q4		Full Year		Official		Q1 & Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	\$ Diff	Estimate	% Chg
Individual Income	4,181.0	1.9	1,677.9	-3.6	5,858.8	0.3	5,778.3	80.5	2,160.3	-23.8
Sales & Use	4,335.0	5.5	1,534.5	4.6	5,869.6	5.3	5,828.4	41.2	3,049.4	4.3
Corp. Inc. & LLET	646.1	-7.7	505.4	-3.2	1,151.5	-5.7	1,277.4	-125.9	473.1	-17.1
Property	727.0	4.4	78.9	0.8	805.9	4.1	808.6	-2.7	535.5	2.7
Lottery	259.5	5.0	84.1	-6.3	343.6	2.0	343.6	0.0	168.5	-2.6
Cigarettes	201.2	-9.9	69.0	-9.2	270.2	-9.7	272.2	-2.0	127.0	-9.0
Coal Severance	58.8	-20.5	21.1	-7.0	79.9	-17.3	84.9	-5.0	40.5	20.1
Other	865.8	24.2	310.6	3.0	1,176.4	17.8	1,161.1	15.3	538.3	-1.5
General Fund	11,274.4	3.9	4,281.4	-0.4	15,555.9	2.7	15,554.5	1.4	7,092.6	-8.4

The forecast does call for a small percentage decline of 0.4 percent in General Fund revenues during the fourth quarter of FY24. A much larger decline of 8.4 percent is expected for the first half of FY25. However, it would be incorrect to infer that that the projected revenue declines in the interim forecast stem from any underlying weakness in the Kentucky economy. The revenue decline in the fourth quarter of FY24 is primarily due to timing issues in the major business taxes, despite projected growth in post-tax profits. Regarding the sharper decline in the first half of FY25,

timing issues play a key role, especially with respect to the individual income tax. The newly enacted PTET is expected to generate FY25 refunds from PTET payments received in FY24.

If the interim estimates hold true, the **sales and use tax** will supplant the individual income tax as the largest source of General Fund revenue in FY24. Total receipts are expected to rise 4.6 percent in the fourth quarter of FY24, followed by 4.3 percent growth in the first half of FY25. When combined with the 5.5 percent growth from the first nine months of FY24, annual growth in the sales tax is expected to be 5.3 percent. All three models used to forecast the sales tax call for a moderation in growth. 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 record of growth. Reasons for the three-year spurt include base expansions which include more taxable services, inflation, and in the early years, federal fiscal stimulus.

Due to legislative tax policy changes, **individual income tax** receipts are projected to fall 3.6 percent during the fourth quarter of FY24 after growing 1.9 percent during the first nine months of FY24. Full-year collections for FY24 are projected to be \$5,858.8 million, which equates to a 0.3 percent increase. The projected marginal increase in the individual income tax for FY24 is attributable to three major trends: legislative rate reductions, declining withholding receipts, and timing issues surrounding the pass-through entity tax. 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 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 nine months of FY24, thus artificially inflating individual income tax collections.

Table 1 also reports that the individual income tax is expected to decline by 23.8 percent in the first half of FY25. While the rate reductions certainly contribute to a large portion of the projected decline by lowering withholding, it is the refunds and lower declarations associated with the PTET payments that accelerates the decline. Payment of the PTET during FY24 for tax years 2022 and 2023 create a dollar-for-

dollar refundable income tax credit for the individual members of the pass-through entity. This credit associated with the PTET payments remitted by pass-through entities in FY24 will not all be claimed in FY24, so there is a lag between payments received and refunds being disbursed (or individual declaration payments reduced). A large portion of the refundable credits that are not used in FY24 are assumed to be claimed in the first half of FY25, thus contributing to the large, expected decline that period.

Business taxes (corporation income tax plus the limited liability entity tax, or LLET) 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 7.7 percent during the first nine months of FY24 and are expected to drop another 3.2 percent in the fourth quarter. The fourth quarter typically brings in about half of the annual business taxes since two months in the fourth quarter (April and June) are quarterly declaration payment months for annual filers. April also includes many of the final returns remitted for calendar year corporations with timely-filed returns.

If fourth quarter receipts equal the interim estimates, the combined business taxes will fall short of the consensus estimates by \$125.9 million in FY24. A shortfall of that magnitude would completely erase the \$41.2 million expected excess in the sales tax as well as the \$80.5 million projected overage in the individual income tax. Further declines are projected for the first half of FY25 as major business taxes decline 17.1 percent compared to the first half of FY24. US corporate profits before taxes are still expected to grow during the forecasting horizon. Businesses, however, are adjusting their declaration patterns and actually claiming refunds due to overpayments instead of carrying their balances forward. Lowering declarations and claiming refunds instead of carrying forward positive balances may be in response to higher interest rates that could be earned in the markets. 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 three quarters of FY24 saw the property tax accounts advance at a rate of 4.4 percent, but the fourth quarter is expected to see property tax growth of 0.8 percent to finish off FY24 at a 4.4 percent overall increase. Receipts at the projected levels would lead to FY24 collections of \$805.9 million compared to the official estimate of \$808.6 million.

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 directed 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 \$35.0 million is expected to be directed into a separate trust and agency account. The excess is largely due to unexpectedly high Powerball and Mega Millions jackpots.

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 9.7 percent expected falloff in FY24 followed by an 9.0 percent decline in the first half of FY25. This interim estimate calls for total FY24 receipts of \$270.2 million.

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 \$70.7 million in FY22 and \$96.6 million in FY23, increasing by 26.0 percent and 36.7 percent, respectively during 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. Coal prices have fallen 60 – 75 percent since the record price of early FY23. Year-to-date receipts have witnessed a reversal of fortunes in the coal severance tax as collections are down 20.5 percent through the first nine months. Embedded in the sharp year-to-date decline in FY24 is a second fiscal quarter where several refunds lowered total collections to \$11.1 million, the lowest quarter in the recent history of coal severance tax. The interim estimate prepared for this report calls for a 7.0 percent decline in the fourth quarter, which would bring the FY24 rate of decline to 17.3 percent. The \$79.9 million annual total would fall \$5.0 million short of the official estimate of \$84.9 million. The interim estimate for the first half of FY25 calls for \$40.5 million, a 20.1 percent increase. The high rate of increase is primarily due to the low base of comparison with the second quarter of FY24, where receipts fell 55.1 percent. Energy prices continue to wane relative to the higher prices seen in FY22 and FY23, which tempers coal receipts growth.

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 recorded receipts of \$150.5 million in FY23. The official estimate for total other receipts in FY24 is \$1,161.1 million, an increase of \$162.4 million over FY23 levels. Income on investments is expected to rise to \$289.1 million, an increase of \$138.6 million over FY23 levels.

The interim estimate for the “other” category of revenues calls for growth of 3.0 percent in the fourth quarter of FY24, leading to an annual sum of \$1,176.4 million. FY24 annual growth is expected to be 17.8 percent compared to FY23 levels. Collections at this level would lead to a \$15.3 million excess over the FY24 official estimate.

ROAD FUND

Through the first nine months of FY24, Road Fund revenues have grown 7.3 percent. However, the rate of growth has slowed in each quarter and the outlook is for revenue growth is to remain somewhat muted in the final quarter of the year before declining over the first half of FY25. Revenues grew 10.2 percent in the first three months of the year, 7.4 percent in the second quarter and 4.5 percent in the just completed quarter. The majority of the revenue gains in the first nine months of FY24 are concentrated in motor fuels account which accounted for \$87.5 million of the \$93.3 million increase. The FY24 full-year forecast is \$7.2 million less than the official revenue forecast as approved by the CFG in December 2023. It should be noted that while the official revenue forecast is an average of the control, optimistic and pessimistic economic scenarios, the forecast presented in this publication is based solely on the control scenario.

Table 2
Road Fund Interim Outlook
\$ millions

	FY24						FY24		FY25	
	Q1, Q2, & Q3		Q4		Full Year		Official		Q1 & Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	\$ Diff	Estimate	% Chg
Motor Fuels	670.1	15.0	233.5	8.3	903.6	13.2	905.1	-1.5	446.7	-1.9
Motor Vehicle Usage	493.3	1.1	171.2	-0.7	664.5	0.6	672.2	-7.7	327.5	-2.0
Motor Vehicle License	70.9	-7.3	55.9	11.3	126.8	0.1	126.8	0.0	40.7	2.1
Motor Vehicle Operators	24.2	13.7	8.9	5.3	33.1	11.3	31.2	1.9	17.1	3.4
Weight Distance	65.3	-1.3	21.4	-0.8	86.7	-1.2	87.7	-1.0	44.7	2.3
Income on Investments	9.3	104.7	4.4	148.8	13.7	117.2	11.8	1.9	3.9	-43.6
Other	31.3	-2.6	14.7	22.4	46.1	4.2	46.8	-0.7	20.5	3.7
Road Fund	1,364.5	7.3	510.0	5.8	1,874.5	6.9	1,881.7	-7.2	901.1	-1.7

Motor fuels tax collections have been very strong throughout the current year, with growth of 15.0 percent, but are forecasted to slow over the final three months and decline into FY25. The larger than normal growth rate is directly related to an emergency regulation filed by Governor Beshear which froze the gasoline and special fuels tax rates for the first nine months of FY23. The gasoline and special fuels taxes increased two cents per gallon in the final three months of FY23 due to the expiration of the regulation. Additionally, the tax rates increased an additional 2.1 cents per gallon, to 30.1 cents, for FY24. Revenues are expected to grow 8.3 percent in the final quarter of the year and decrease 1.9 percent over the first half of FY25.

Growth in the motor vehicle usage tax collections has been slight this year increasing only 1.1 percent year-to-date over last year's record collections. The forecast calls for a 0.7 percent decline of growth in the final quarter of the year and a 2.0 percent decline over the first two quarters of FY25.

Weight distance tax revenue is forecast to decrease 0.8 percent in the final quarter of the fiscal year but increase 2.3 percent in the first half of FY25.

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 11.3 percent in the final quarter of FY24 but increase only 2.1 percent in the first six months of FY25. The increase in license taxes over the next three months is due largely to timing issues associated with the rollout of KAVIS, Kentucky's new vehicle registration system.

Motor vehicle operators' licenses are projected to increase 5.3 percent for the remainder of the fiscal year and grow 3.4 percent over the first six months of FY25.

Investment income receipts were \$9.3 million over the first nine months of the fiscal year and receipts are expected to be positive with revenues of \$4.4 million in the fourth quarter and \$3.9 million through the first half of FY25.

All other revenues have declined 2.6 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 3.7 percent in the first half of next year.

NATIONAL ECONOMIC OUTLOOK

The US national outlook presented in Tables 3 and 4 were prepared using the March 2024 control economic forecast from S&P Global. Real GDP is expected to increase 3.0 percent in the fourth quarter of FY24, which will round out the fiscal year at a 3.0 percent rate of growth. Growth in real GDP is expected to moderate slightly in the first half of FY25, increasing only 1.9 percent. By way of comparison, the current interim forecast for real GDP in the final quarter of FY24 is slightly higher than the November estimates that were the basis for the official consensus estimates rendered by the CFG in December 2023. The same applies to the first half of FY25; the interim estimates presented in this report are higher than the S&P forecast used when developing the consensus estimates.

Real consumption, which arguably was the key component that led the national economy out of the very short-lived recession in 2020, is waning. Growth in real consumption is projected to be 2.7 percent in the fourth quarter of FY24, followed by growth of 2.4 percent in the first half of FY25, compared to the same periods one year prior. Since real consumption is roughly 70 percent of real GDP, slower growth in real consumption has a corresponding dampening effect on real GDP. An anemic housing market, higher interest rates, continued inflation, and soft demand are weighing on consumer spending over the forecast horizon.

Real investment is anticipated to outperform real consumption over the rest of FY24. In the final quarter of FY24, real investment is forecasted to be 3.7 percent. Real investment is expected to cool significantly in the first half of FY25 with forecasted growth of 1.8 percent. The slow-down in growth is partly attributed to the effects of past increases in private borrowing costs engineered by the Fed. Additional contributing factors to the slowdown of real investment is the expected slowdown in real consumer spending, which lowers investment demand.

Real exports are poised to grow the most in percentage terms, increasing 5.0 percent in the fourth quarter of FY24, compared to the fourth quarter of FY23. Real exports are projected to soften slightly in the first half of FY25 and are forecasted to rise 4.4 percent. Real imports are expected to edge up 4.3 percent in the final quarter of FY24, ending the fiscal year with 0.9 percent growth. Real imports increased for the third consecutive quarter, advancing 1.3 percent over the second quarter of FY24. The quarterly increase was the largest 3-month advance since the index rose 3.5 percent in the third quarter of FY22. In the first six months of FY25, real imports are anticipated to increase 5.0 percent.

The outlook for the CPI for all goods predicts a 3.1 percent rate of inflation for the fourth quarter of FY24 and full-year inflation for FY24 at 3.3 percent, down from the 4.0 percent change in the CPI for all goods in FY23. Entering the first half of FY25, inflation is expected to further moderate to 2.9 percent by the end of the second fiscal quarter. The unemployment rate is projected to rise to an average level of 3.8 percent for the entirety of FY24 and gradually climb to 3.9 percent through December of 2024.

On the employment front, the US labor outlook anticipates slight growth over the three-quarter outlook. More pronounced growth is expected in the near term, with a slight downturn of growth rates for the first and second quarters of FY25. Total non-farm employment is projected to edge up 2.4 million jobs by June of 2024 compared to the FY23 fourth quarter level. The US labor market is expected to produce an additional 1.6 million jobs in the first half of FY25 compared to the first half of FY24.

The forecast for personal income shows growth of 4.8 percent in the fourth quarter of FY24 and 5.3 percent in the first half of FY25. Wages and salaries underpinned personal income growth with a 5.5 percent projected increase in the fourth quarter, followed by 4.9 percent in the first and second quarters of FY25. The projected uptick in personal income is also attributed to an increase in dividends, interest, and rents. This component of personal income, comprising approximately 20 percent of total US personal income, is expected to increase 5.0 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.

Table 3
US Economic Outlook
Interim Forecast

	Q4			Full Year		Q1 & Q2	
	FY24	FY23	% chg	FY24	% chg	FY25	% chg
Real GDP	22,885.6	22,225.4	3.0	22,707.2	3.0	23,015.4	1.9
Real Consumption	15,758.9	15,343.6	2.7	15,614.9	2.5	15,883.7	2.4
Real Investment	4,161.1	4,014.1	3.7	4,134.2	3.0	4,187.6	1.8
Real Govt. Expenditures	3,906.8	3,789.8	3.1	3,882.6	4.0	3,913.4	1.3
Real Exports	2,587.0	2,464.7	5.0	2,546.3	2.1	2,627.9	4.4
Real Imports	3,538.8	3,392.9	4.3	3,478.5	0.9	3,612.0	5.0
CPI all goods (% chg)	3.1	4.0	NA	3.3	NA	2.9	NA
CPI Food (% chg)	2.2	6.7	NA	3.0	NA	1.9	NA
CPI Energy (% chg)	2.4	-11.2	NA	-2.4	NA	1.2	NA
CPI Core (% chg)	3.3	5.2	NA	3.8	NA	3.2	NA
Industrial Production Index (% chg)	-0.3	0.0	NA	-0.2	NA	2.7	NA
Unemployment Rate (%)	3.8	3.6	NA	3.8	NA	3.9	NA
Housing Starts (millions, NSA)	1.4	1.4	-1.1	1.4	0.1	1.4	-4.6

Table 4
US Labor and Income Outlook
Interim Forecast

	Q4			Full Year		Q1 & Q2	
	FY24	FY23	% chg	FY24	% chg	FY25	% chg
Non-farm Employment (millions, NSA)	158.2	155.8	1.5	157.4	1.8	158.4	1.1
Goods-producing	21.8	21.6	1.2	21.7	1.3	21.7	0.4
Construction	8.2	8.0	2.9	8.1	3.0	8.3	2.7
Mining	0.6	0.6	-0.3	0.6	2.1	0.6	-0.3
Manufacturing	13.0	12.9	0.2	13.0	0.3	12.8	-1.0
Service-providing	113.1	111.5	1.4	112.6	1.7	113.4	1.1
Trade, Transportation & Utilities	28.9	28.9	0.2	28.9	0.3	28.7	-0.7
Information	3.0	3.0	-1.7	3.0	-2.3	3.0	1.4
Finance	9.2	9.2	0.2	9.2	0.9	9.3	0.4
Business Services	23.0	22.9	0.7	22.9	0.7	23.2	1.4
Educational Services	26.2	25.2	3.9	25.9	4.1	26.3	2.8
Leisure and Hospitality Services	16.9	16.5	2.4	16.8	3.3	17.1	2.0
Other Services	5.9	5.8	0.8	5.9	1.6	5.8	-0.4
Government	23.2	22.7	2.3	23.1	2.7	23.3	1.5
Personal Income (\$ billions, AR)	23,954.8	22,868.0	4.8	23,506.0	4.7	24,420.8	5.3
Wages and Salaries	12,375.0	11,733.3	5.5	12,141.1	5.8	12,566.0	4.9
Transfer Receipts	4,213.6	4,120.1	2.3	4,140.2	1.7	4,262.8	4.4
Dividends, Interest, and Rents	4,793.5	4,563.7	5.0	4,692.2	5.1	4,941.1	7.0
Supplements to Wages and Salaries	2,541.0	2,420.9	5.0	2,495.4	4.9	2,576.3	4.5
Proprietors' Income	1,915.5	1,824.1	5.0	1,888.0	3.7	1,979.0	5.7
Social Insurance	1,883.8	1,794.0	5.0	1,850.9	5.4	1,904.4	4.3
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 March 2024 control 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. Projected economic conditions for Kentucky point to a modest expansion over the three-quarter forecasting horizon.

The employment forecast anticipates higher growth in the near term, with a slight softening of growth rates for the first and second quarters of FY25. Kentucky's total non-farm employment is projected to edge up 27,800 jobs by June 2024 from FY23 fourth quarter levels. Employment is expected to increase for seven of Kentucky's 11 major nonfarm North American Industry Classification System (NAICS) job supersectors in the fourth quarter of FY24. The employment landscape indicates similar momentum in the first and second quarters of FY25, as total non-farm employment is expected to increase in seven of Kentucky's 11 major nonfarm NAICS job sectors.

Overall growth in the goods-producing sectors is expected to remain relatively flat in the fourth quarter of FY24 increasing just 0.2 percent and then declining 0.1 percent in the first half of FY25. In percentage terms, the most pronounced job loss is forecasted in mining employment. In absolute terms, the most significant job loss is expected in trade, transportation, and utilities employment. Employment in Kentucky's construction sector is expected to offset the losses in mining and manufacturing, gaining approximately 2,200 jobs, or 2.5 percent in the final quarter of FY24, compared to the final quarter of FY23. Entering the first two quarters of FY25, construction employment is anticipated to increase 2.0 percent, a gain of 1,800 jobs, compared to the first and second quarters of FY24.

In contrast to the flat growth of the goods-producing sectors, the service-providing employment sectors are expected to increase by 1.4 percent in the fourth quarter of FY24 and by 1.4 percent in the first half of FY25. In percentage and nominal terms, the educational services employment sector is anticipated to incur the largest growth in the fourth quarter of FY24, gaining 3.8 percent or 11,400 jobs. Further expansion is anticipated in the educational services employment sector spanning the first two quarters of FY25, growing 2.5 percent, an increase of 7,600 jobs.

The outlook represents a noteworthy increase for government employment in Kentucky. Government employment is forecasted to grow by 7,600 jobs, or 2.5 percent in the final quarter of FY24. Entering the first half of FY25, the government sector is poised to gain an additional 5,400 jobs, or 1.7 percent, compared to the first and second quarters of FY24. Government employment includes federal, state, and local government employees employed within the physical boundary of Kentucky.

Turning to the MAK model forecast for personal income and its components, Kentucky personal income is projected to rise 4.2 percent in the fourth quarter, ending the year at 4.3 percent annual growth. The interim estimates in this report for Kentucky personal income generate higher growth rates for the fourth quarter of FY24 than the fourth quarter growth rates generated for the official CFG meeting in December 2023. When comparing the first half of FY25, however, the interim estimates presented in this report are higher than the forecast used when developing the consensus estimates.

The interim estimates for Kentucky wage and salary income are expected to grow 5.5 percent in the fourth quarter of FY24 followed by 4.6 percent growth in the first half of FY25. Wages and salaries, the largest component of personal income, is marginally higher for the entire three-quarter forecast than the wages and salaries component used during preparation of the official CFG estimates. Kentucky wage and salary income is a key driver for the withholding component of the individual income tax as well as contributor to the sales tax estimate. Overall, the difference between the two forecasts for personal income and wage and salary income is rather small, which partially explains why the interim revenue estimates reported above are so similar.

Table 5
KY Labor and Income Outlook
Interim Forecast

	Q4			Full Year		Q1 & Q2	
	FY24	FY23	% chg	FY24	% chg	FY25	% chg
Non-farm Employment (thousands, NSA)	2,043.3	2,015.5	1.4	2,031.6	1.7	2,045.8	1.2
Goods-producing	355.3	354.6	0.2	355.5	1.5	355.4	-0.1
Construction	91.1	88.9	2.5	90.7	4.8	92.2	2.0
Mining	8.2	8.7	-5.4	8.4	-1.3	8.1	-5.7
Manufacturing	256.0	257.0	-0.4	256.4	0.5	255.0	-0.7
Service-providing	1,373.5	1,354.0	1.4	1,364.1	1.4	1,374.9	1.4
Trade, Transportation & Utilities	426.8	428.0	-0.3	426.9	-0.1	423.1	-0.9
Information	23.0	23.2	-0.7	23.0	0.7	23.0	0.5
Finance	97.3	97.0	0.4	97.0	0.2	97.8	1.4
Business Services	233.2	230.3	1.2	230.5	0.2	235.5	3.1
Educational Services	312.3	300.9	3.8	308.4	3.9	312.9	2.5
Leisure and Hospitality Services	208.9	203.2	2.8	206.2	2.4	210.8	3.4
Other Services	72.1	71.5	0.8	72.2	3.1	71.7	-0.5
Government	314.5	306.9	2.5	312.0	3.0	315.5	1.7
Personal Income (\$ billions, AR)	254.3	244.0	4.2	249.9	4.3	258.3	4.7
Wages and Salaries	127.4	120.8	5.5	125.1	5.7	129.1	4.6
Transfer Receipts	63.5	62.0	2.4	62.3	3.0	64.2	4.5
Dividends, Interest, and Rents	40.9	39.6	3.1	40.3	3.3	41.8	4.7
Supplements to Wages and Salaries	29.6	28.2	5.0	29.1	4.6	30.1	4.8
Proprietors' Income	18.0	17.1	5.2	17.7	3.6	18.6	6.0
Social Insurance	20.4	19.4	5.2	20.0	5.3	20.6	4.5
Residence Adjustment	-4.7	-4.3	NA	-4.5	NA	-4.8	NA

REVENUE RECEIPTS

GENERAL FUND Third Quarter FY24

General Fund revenues rebounded from a weak second quarter to post growth of 3.5 percent in the third quarter on the strength of sales and use, and property taxes as well as “other” receipts in the third quarter. After a strong start to FY24, where collections rose 6.9 percent, revenue growth slowed to 1.6 percent in the following quarter. Receipts in the just completed quarter were \$3,530.8 million, which is \$118.7 million more than what was received in the third quarter of FY23. Collectively, the sales and use, property and “other” accounts brought in \$145.7 million more than in the same period last year. The individual income tax brought in just \$4.8 million more than in the third quarter of FY23. General Fund revenues have now grown 3.9 percent through the first nine months of the year.

The individual income tax, which was essentially flat in the third quarter, was boosted by the receipt of \$186.1 million in PTET receipts. Ignoring the PTET collections, individual income tax revenues fell 13.5 percent as all four components of the tax declined in the quarter, due in large part to a lower tax rate from 4.5 percent to 4.0 percent for 2024. Withholding collections were down \$97.0 million, declarations were \$43.3 million lower and net returns fell by \$38.7 million.

Table 6				
Summary General Fund Receipts				
\$ millions				
	FY24	FY23	Diff	Diff
	Q3	Q3	\$	%
Individual Income	1,346.3	1,341.5	4.8	0.4
Sales & Use	1,411.3	1,343.2	68.1	5.1
Corp. Inc. & LLET	75.3	101.5	-26.2	-25.8
Property	205.4	179.8	25.5	14.2
Lottery	86.5	83.5	3.0	3.6
Cigarettes	61.6	68.0	-6.4	-9.4
Coal Severance	25.1	27.2	-2.1	-7.8
Other	319.4	267.3	52.1	19.5
Total	3,530.8	3,412.0	118.7	3.5

Sales and use tax receipts have been consistently strong this year, growing 5.1 percent in the just completed quarter after growing 5.5 percent and 5.9 percent in the first two quarters. Collections were \$1,411.3 million in the third quarter, which exceeded FY23 receipts by \$68.1 million. Year-to-date collections in this account stand at 5.5 percent.

In contrast to the sales and use tax, combined corporation income and LLET tax receipts have declined in each quarter of FY24. Receipts in the quarter fell 25.8 percent with collections of \$75.3 million, which was \$26.2 million less than in the prior year. Growth rates for the three quarters have been -4.4 percent, -4.8 percent, and -25.8 percent, respectively.

Property tax revenue has exceeded expectations in the first three quarters of FY24. Collections rose 14.2 percent, or \$25.5 million, in the just completed quarter while year-to-date receipts have increased 4.4 percent. Public service tax revenues accounted for the bulk of the third quarter increase while motor vehicle property taxes were the only major component of the tax to experience a decline. Growth rates for the three quarters this year have been 4.1 percent, 0.6 percent, and 14.2 percent, respectively.

Lottery receipts increased by 3.6 percent in the third quarter to \$86.5 million. Thus far in FY24, lottery dividend payments total \$259.5 million, up 5.0 percent compared to FY23.

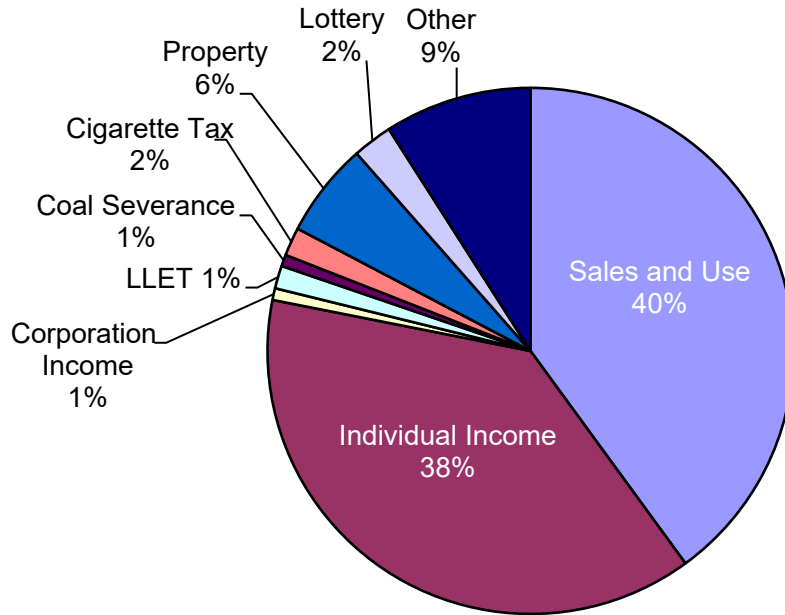
Cigarette tax receipts declined for the 11th consecutive quarter, falling 9.4 percent in the just completed quarter. Third quarter revenues were \$61.6 million. Fiscal Year 2024 quarterly growth rates for this account have been -7.3 percent, -13.1 percent, and -9.4 percent, respectively.

Coal severance tax receipts fell for the second consecutive quarter after growing in the first quarter. Revenues in this account have been negatively affected by refunds this year. Third quarter collections were \$25.1 million, a decrease of 7.8 percent. Growth rates for the three quarters this year have been 2.4 percent, -55.1 percent, and -7.8 percent, respectively.

The other category, which is composed of many smaller tax accounts, rose 19.5 percent, or \$52.1 million for the quarter. Third quarter receipts were \$319.4 million. Most of the growth in these accounts comes from income on investments which was \$22.9 million more than received last year.

Figure 1 shows the composition of General Fund revenues by tax type for the third quarter of FY24. Individual income tax and sales and use taxes made up 78 percent of General Fund tax receipts. The other category made up nine percent of receipts in the third quarter. The next largest source of revenue is the property tax, which made up six percent of total receipts. Major business and cigarette taxes, and lottery dividends each made up two percent of the General Fund receipts. Lastly, coal severance tax made up one percent of total receipts.

Composition of Third Quarter FY24 General Fund Revenues



ROAD FUND

Third Quarter FY24

Total Road Fund receipts rose 4.5 percent during the third quarter of FY24, the lowest quarterly rate of growth so far this year for the fund. Collections grew 10.2 percent in the first quarter and 7.4 percent in the second quarter. Total receipts received in the third quarter were \$447.9 million compared to last year's third quarter total of \$428.7 million, a difference of \$19.2 million. Only three of the seven accounts grew in the quarter but a large increase in motor fuels receipts offset the declines in the accounts which fell. Year-to-date Road Fund collections have grown 7.3 percent.

Through the first nine months of the year, Road Fund revenues are on pace to meet the official estimate provided growth in the final quarter matches the year-to-date growth rate. The official FY24 revenue estimate calls for a 7.3 percent increase in revenue for the year. Based on year-to-date tax collections, revenues must increase 7.3 percent in the final quarter of the fiscal year to meet the revenue estimate. Summary data are contained in Table 7 and detailed data are shown in the Appendix.

	FY24 Q3	FY23 Q3	Diff \$	Diff %
Motor Fuels	214.5	179.7	34.9	19.4
Motor Vehicle Usage	159.1	169.1	-10.0	-5.9
Motor Vehicle License	31.0	34.2	-3.2	-9.3
Motor Vehicle Operators	7.7	7.0	0.7	9.4
Weight Distance	21.6	21.5	0.1	0.6
Income on Investments	2.3	4.8	-2.5	-51.6
Other	11.6	12.3	-0.8	-6.1
Total	447.9	428.7	19.2	4.5

For the quarter, motor fuels tax receipts grew 19.4 percent, or \$34.9 million, for total third quarter receipts of \$214.5 million. Growth rates for the first three quarters of the year have been 14.0 percent, 12.2 percent, and 19.4 percent, respectively. Growth in collections through the first three quarters of FY24 has been aided by a tax rate freeze which kept the FY23 rate at FY22 levels meaning that the variable

rate in effect for the first three quarters of FY24 represent two years' worth of tax increases, or 4.1 cents per gallon. Year-to-date collections in this account have increased 15.0 percent.

Motor vehicle usage tax receipts fell 5.9 percent in the third quarter after exhibiting good growth through the first two quarters. Revenues were \$159.1 million for the quarter, a \$10.0 million decline compared to FY23 levels. Year-to-date collections have increased 1.1 percent with quarterly growth rates of 3.4 percent, 6.5 percent, and -5.9 percent, respectively.

Motor vehicle license tax receipts have decreased in each quarter of FY24 with growth rates of -6.3 percent, -5.1 percent, and -9.3 percent, respectively. Collections fell \$3.2 million, or 9.3 percent, in the third quarter. Year-to-date revenues in this account have fallen 7.3 percent.

Motor vehicle operator's tax receipts were \$7.7 million in the third quarter, a \$0.7 million increase compared to collections a year ago. Collections in this account have been affected by timing issues related to the rollout of Kentucky's new online vehicle registration system. Receipts have increased 13.7 percent for the year with quarterly growth rates of 228.7 percent, -30.3 percent, and 9.4 percent, respectively.

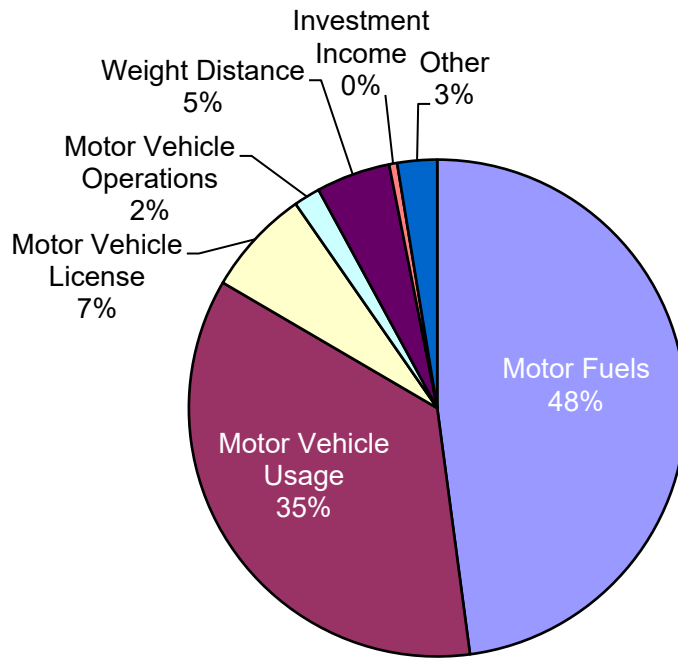
Weight distance tax receipts fell in the first two quarters of FY24 before posting a small increase in the just completed quarter. Revenues for the quarter were \$100,000 more than the \$21.5 million received last year. Growth rates for the three quarters have been -1.3 percent, -3.1 percent, and 0.6 percent, respectively – year-to-date growth now standing at -1.3 percent.

Income on investment was \$2.3 million in the third quarter, \$2.5 million less than what was received last year. Even with the third quarter decline in revenues, year-to-date revenues in this account have grown 104.7 percent to \$9.3 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 \$11.6 million, \$0.8 million less than FY23 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 \$373.6 million, or 83 percent. The next largest source of revenue was motor vehicle licenses at seven percent, followed by weight distance taxes with five percent. The “other” category accounted for three percent, while motor vehicle operators accounted for two percent and income on investments less than one percent.

Figure 2
Composition of Third Quarter FY24
Road Fund Revenues



THE ECONOMY

THIRD QUARTER FY24

NATIONAL ECONOMY

Real gross domestic product (real GDP) rose by 3.0 percent in the third quarter of FY24 compared to the third quarter of FY23. See Table 8. Real GDP growth on a quarter-to-quarter basis has been tapering for the last three quarters. Adjacent-quarter growth rates over the past eight quarters are: -0.1, 0.7, 0.6, 0.6, 0.5, 1.2, 0.8, and 0.5 percent, respectively. The largest growth during that time was in the first quarter of FY24, when real investment growth was 2.4 percent. High real government expenditures growth also assisted in giving a boost to real GDP in the first quarter of FY24. Real GDP has risen for seven consecutive quarters. Real gross domestic product is composed of real consumption, real investment, real government expenditures, real exports, and real imports.

Real consumption rose by 2.3 percent in the third quarter of FY24 compared to the third quarter of FY23. Real consumption has been largely steady over the past eight quarters averaging 0.5 percent on an adjacent-quarter basis. Growth has tapered only slightly over the last three quarters. The last eight adjacent-quarter growth rates are: 0.5, 0.4, 0.3, 0.9, 0.2, 0.8, 0.7, and 0.6 percent, respectively. Real consumption made up 68.8 percent of real GDP in the third quarter of FY24.

Real investment rose by 4.6 percent in the third quarter of FY24 compared to the third quarter of FY23. Real investment growth peaked in the first quarter of FY24 and has tapered since then. The last eight adjacent-quarter growth rates are: -2.8, -2.0, 0.8, -2.3, 1.3, 2.4, 0.2, and 0.6 percent, respectively. Real investment made up 18.2 percent of real GDP in the third quarter of FY24.

Real government expenditures rose by 3.7 percent in the third quarter of FY24 compared to the third quarter of FY23. Real government expenditures growth peaked in the first quarter of FY24 and has moderated since then. The last eight adjacent-quarter growth rates are: -0.5, 0.7, 1.3, 1.2, 0.8, 1.4, 1.0, and 0.3 percent, respectively. Real government expenditures made up 17.1 percent of real GDP in the third quarter of FY24.

Total government outlays grew 2.2 percent in the third quarter of FY24. See Table 9. Outlay growth peaked in the third quarter of FY23 with 2.4 percent adjacent-quarter growth and has fallen considerably for the last four quarters. The last eight adjacent-quarter growth rates are: 1.0, 1.3, 1.8, 2.4, 0.3, 0.9, 0.5, and 0.5, percent respectively. US government expenditures make up only a portion of total US outlays. Outlays are all of the expenditures that the federal government spends money on including transfers to individuals, states, other nations, and interest on the national debt. To put the two in perspective, third quarter of FY24 total outlays were \$6.46 trillion (annual rate), while real government expenditures for that same period were \$3.90 trillion (annual rate).

The fastest growing outlay is Interest on the Debt, which grew 20.4 percent in the third quarter of FY24 over the third quarter of FY23. This is the second consecutive quarter that Interest on the Debt has been above \$1 trillion (annual rate). Interest on the Debt can grow when either the principle increases or the interest rate rises. The last eight adjacent-quarter growth rates are: 7.6, 10.2, 10.1, 5.3, 4.1, 7.9, 4.5, and 2.5 percent, respectively. Interest on the Debt has risen a net 65.6 percent over the last eight quarters. Interest on the Debt is the fastest growing outlay over the last three years. Just before the 2020 recession, Interest on the Debt made up 11.8 percent of total outlays. In the third quarter of FY24, Interest on the Debt made up 16.3 percent of total outlays.

Three major outlays have fallen in the last year. Aid to Foreign Governments declined by 37.3 percent in the third quarter of FY24 compared to the third quarter of FY23. Aid to Foreign Governments made up 0.9 percent of total outlays in the third quarter of FY24. Non-Medicaid Grants to State and Local Governments declined by 24.4 percent in the third quarter of FY24. Non-Medicaid Grants to State and Local Governments made up 4.0 percent of total outlays in the third quarter of FY24. Medicaid declined by 10.9 percent in the third quarter of FY24. Medicaid made up 8.7 percent of total outlays in the third quarter of FY24.

Real exports rose by 1.6 percent in the third quarter of FY24 compared to the third quarter of FY23. Real exports growth peaked in the first quarter of FY23 and has gone up and down several times since then. The last eight adjacent-quarter growth rates are: 2.5, 3.8, -0.9, 1.7, -2.4, 1.3, 1.5, and 1.2 percent, respectively. Real exports made up 11.3 percent of real GDP in the third quarter of FY24. Real imports rose by 1.0 percent in the third quarter of FY24 compared to the third quarter of FY23. Real imports growth has been weak for over two years which included three quarters of declining imports. The last eight adjacent-quarter growth rates are: 1.0, -1.2, -1.1, 0.3, -2.0, 1.0, 0.7, and 1.3 percent, respectively. Real imports, a deduction from real GDP, made up 15.3 percent of real GDP in the third quarter of FY24.

The Consumer Price Index for all Goods (CPI - All Goods) grew by 3.1 percent in the third quarter of FY24. The growth rate of the CPI is the inflation rate, which is reported in Table 8. The average inflation rate for the last 24 years is 2.6 percent. The current inflation rate has been above that average every quarter for three straight years (12 quarters). Among the four commonly reported CPI indices, the CPI for energy has risen the most in the last three years. It grew an average of 26.1 percent for seven consecutive quarters between the fourth quarter of FY21 and the second quarter of FY23. The index reached a peak of 3.13 in the fourth quarter of FY22. The CPI for energy has fallen for three consecutive quarters now.

US non-farm employment grew by 1.8 percent in the third quarter of FY24 compared to the third quarter of FY23. US non-farm employment has grown for 15 consecutive quarters following the 2020 recessions. Growth in US non-farm employment has been modest but steady for the last five quarters. The last eight adjacent-quarter growth rates are: 0.8, 0.9, 0.5, 0.6, 0.5, 0.4, 0.4, and 0.5 percent, respectively. The fastest growing supersector in the third quarter of FY24 is educational services employment. Educational services employment grew 4.2 percent in the third quarter of FY24 compared to the third quarter of FY23. This is a net gain of 1.0 million jobs. Educational services employment made up 16.5 percent of total US non-farm employment in the third quarter, which is the second largest supersector in the US. Only one supersector lost jobs over the last year, and that was information services employment. Information services employment declined by 1.3 percent in the third quarter of FY24 over the third quarter of FY23. Information services employment made up 1.9 percent of total US non-farm employment in the third quarter.

The civilian labor force increased by 0.7 percent in the third quarter of FY24 compared to the third quarter of FY23. See Table 8. However, on an adjacent-quarter basis, the civilian labor force declined by 0.1 percent in the third quarter of FY24 compared to the second quarter of FY24. This is the second consecutive quarter of declining civilian labor force. The civilian labor force growth has been weak for several quarters. The last eight adjacent-quarter growth rates are: 0.4, 0.4, -0.3, 1.0, 0.6, 0.7, -0.3, and -0.1 percent, respectively. The number of Employed persons has declined for two consecutive quarters also. The last eight adjacent-quarter growth rates for Employed are: 1.0, 0.3, -0.004, 0.5, 0.9, 0.3, -0.1, and -0.7 percent, respectively.

The number of Unemployed persons increased significantly in the third quarter of FY24, growing 14.1 percent in one quarter. The number of Unemployed has been bouncing up and down for the last 10 consecutive quarters. The last 10 adjacent-quarter growth rates are: -23.8, 5.2, -14.0, 3.6, -8.3, 14.6, -8.9, 10.7, -6.4, and 14.1 percent, respectively. Prior to the recession, the number of Unemployed was hovering near 5.4 million. Then at the height of the recession, the number of Unemployed peaked at 20.4 million. The number of Unemployed in the third quarter of FY24 is 6.8 million. Despite the unusual up and down growth in Unemployed from quarter

to quarter, the number of Unemployed has been trending downward for the last three years. Despite this favorable trend the number of Unemployed is still not back to pre-recession levels.

The number of people Not in the Labor Force has risen in the last two quarters. The current number of people Not in the Labor Force is currently 100.5 million. This is near the all-time high which occurred during the 2020 recession. The number of people Not in the Labor Force immediately before the 2020 recession was 95.7 million. So the number of people Not in the Labor Force is still significantly above pre-recession levels.

US personal income grew 4.6 percent in the third quarter of FY24 compared to the third quarter of FY23. US personal income has grown for 11 consecutive quarters. See Table 10. US wages and salaries grew the fastest among the personal income components. US wages and salaries grew by 5.7 percent in the third quarter of FY24. The personal income data and its components are all nominal data. Therefore, inflation effects are not accounted for. It is often hard to disaggregate the effects of inflation and real economic growth. High inflation across all goods started immediately following the large money supply increases caused by the three large federal government spending bills (April 2020, December 2020, and March 2021). Above normal growth in US wages and salaries started in the first quarter of FY21. So the large majority of growth in US wages and salaries is due to inflation. It is not possible to exactly separate out the effects. The largest adjacent-quarter growth in US wages and salaries before the money supply increases was 2.2 percent; this is historically speaking, very high growth. US wages and salaries has grown by over 2.2 percent seven times since the money supply increases. US wages and salaries made up 51.6 percent of total US personal income in the third quarter of FY24.

KENTUCKY ECONOMY

Kentucky non-farm employment grew 1.5 percent in the third quarter of FY24 over the third quarter of FY23. The fastest growing supersector in Kentucky in the third quarter of FY24 is educational services employment, which grew 3.6 percent. Educational services employment has been moderate and consistent for several quarters. The last eight adjacent-quarter growth rates are: 1.0, 1.5, 1.2, 1.7, 0.3, 0.9, 1.1, and 1.2 percent, respectively. Educational services employment made up 15.2 percent of total non-farm employment in the third quarter of FY24.

Employment declined in two supersectors, mining and trade, transportation, and utilities employment. Mining employment declined by 5.2 percent in the third quarter of FY24. Mining employment growth has been weak for the last four quarters. The last eight adjacent-quarter growth rates are: 3.4, 2.0, 1.2, 3.6, -0.7, -1.2, 1.2, and -4.5 percent, respectively. Mining employment is the smallest supersector in Kentucky

and made up only 0.4 percent of total non-farm employment in the third quarter of FY24. Trade, transportation, and utilities employment fell 0.1 percent in the third quarter of FY24. Trade, transportation, and utilities employment has been weak for the last eight quarters. The last eight adjacent-quarter growth rates are: 0.1, 0.5, 0.2, 0.1, 0.1, -0.1, -0.1, and 0.1 percent, respectively. Trade, transportation, and utilities employment is the largest supersector in Kentucky and made up 20.9 percent of total non-farm employment in the third quarter of FY24.

Kentucky personal income rose by 3.8 percent in the third quarter of FY24 compared to the same quarter a year ago. Personal income growth was modest for several quarters and then ticked up significantly in the third quarter. The last eight adjacent-quarter growth rates are: 0.8, 0.7, 0.5, 2.6, 0.6, 0.8, 0.8, and 1.6 percent, respectively. All five contributing components of personal income grew in the third quarter of FY24.

Kentucky wages and salaries rose by 4.6 percent in the third quarter of FY24. Wages and salaries growth has been robust and consistent for the last three quarters. The last eight adjacent-quarter growth rates are: 1.9, 2.8, -0.01, 3.9, 0.3, 1.5, 1.2, and 1.4 percent, respectively. Just as with the national level wages and salaries data, the Kentucky wages and salaries data is nominal. That is, there is no adjustment made for inflation. As such, much of the robustness of the wages and salaries data is caused by inflation, not by real economic growth. It is difficult to parse out the exact share of inflation growth versus economic growth, but at least some of the wages and salaries growth continues to be caused by inflation. Kentucky wages and salaries made up 50.0 percent of total Kentucky personal income in the third quarter of FY24.

Table 8
History of US Economic Variables

	FY23				FY24					
	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg	Q3	% chg
Real GDP (\$ billions, AR)	22,112.3	1.7	22,225.4	2.4	22,490.7	2.9	22,669.0	3.1	22,783.7	3.0
Real Consumption	15,312.9	2.1	15,343.6	1.8	15,461.4	2.2	15,574.9	2.7	15,664.5	2.3
Real Investment	3,963.7	-6.1	4,014.1	-2.2	4,111.1	2.1	4,119.8	1.5	4,144.8	4.6
Real Government Expenditures	3,758.8	2.7	3,789.8	4.1	3,843.4	4.8	3,883.3	4.5	3,896.8	3.7
Real Exports	2,525.4	7.3	2,464.7	2.1	2,497.3	-0.4	2,535.6	2.1	2,565.3	1.6
Real Imports	3,460.5	-1.0	3,392.9	-3.9	3,428.0	-1.7	3,451.1	0.0	3,496.2	1.0
CPI - All Goods (% chg)	5.7	NA	4.0	NA	3.6	NA	3.2	NA	3.1	NA
CPI - Food (% chg)	9.4	NA	6.7	NA	4.3	NA	3.0	NA	2.4	NA
CPI - Energy (% chg)	2.0	NA	-11.2	NA	-5.8	NA	-3.9	NA	-2.0	NA
Core CPI (% chg)	5.5	NA	5.2	NA	4.4	NA	4.0	NA	3.7	NA
Industrial Prod. Index (% chg)	0.9	NA	0.0	NA	-0.1	NA	-0.1	NA	-0.2	NA
Working Population (millions, NSA)	266.1	1.1	266.6	1.1	267.2	1.1	267.8	1.2	267.7	0.6
Civilian Labor Force	166.0	1.5	166.9	1.7	168.0	1.9	167.5	1.9	167.2	0.7
Employed	159.7	1.8	161.2	1.8	161.7	1.7	161.5	1.6	160.4	0.5
Unemployed	6.3	-6.3	5.7	-0.8	6.3	6.0	5.9	8.2	6.8	7.8
Not in Labor Force	100.1	0.4	99.7	0.2	99.2	-0.1	100.3	0.1	100.5	0.4
Labor Force Participation Rate (%)	62.5	NA	62.6	NA	62.7	NA	62.6	NA	62.6	NA
Unemployment Rate (%)	3.5	NA	3.6	NA	3.7	NA	3.8	NA	3.8	NA
Housing Starts (millions, AR)	1.4	-19.3	1.4	-11.4	1.4	-5.2	1.5	5.6	1.4	1.2

Table 9
US Federal Outlays
\$ billions, AR

	Third Quarter			
	FY24	FY23	Chg	% Chg
Federal Outlays excl. Gross Investment	6,463.5	6,324.8	138.7	2.2
National Defense	797.2	760.0	37.2	4.9
Non-Defense Consumption	575.2	543.0	32.2	5.9
Federal Transfer Payments to Resident Persons	3,020.6	2,945.8	74.8	2.5
Medicare	960.3	938.1	22.2	2.4
Social Security	1,425.8	1,340.0	85.8	6.4
Social Insurance to Rest of the World	34.0	31.2	2.8	8.8
Grants-in-Aid to State & Local Govts	821.7	974.6	-152.9	-15.7
Medicaid	562.1	631.0	-68.9	-10.9
Non-Medicaid Grants to State & Local Govts	259.7	343.6	-84.0	-24.4
Aid to Foreign Govts	60.0	95.7	-35.7	-37.3
Interest on the Debt	1,051.8	873.8	178.0	20.4
Subsidies	103.0	100.7	2.3	2.3

Table 10
History of US Labor and Income Data

	FY23				FY24					
	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg	Q3	% chg
Non-farm Employment (millions, NSA)	155.0	2.8	155.8	2.5	156.4	2.1	157.1	1.9	157.8	1.8
Goods-producing	21.5	2.9	21.6	2.1	21.6	1.6	21.7	1.3	21.8	1.2
Mining	0.6	8.7	0.6	6.6	0.6	5.1	0.6	2.9	0.6	1.0
Construction	7.9	3.7	8.0	3.2	8.0	3.1	8.1	3.1	8.2	2.8
Manufacturing	12.9	2.2	12.9	1.2	12.9	0.5	12.9	0.1	13.0	0.2
Service-providing	111.0	2.9	111.5	2.5	111.9	2.0	112.3	1.8	112.8	1.7
Trade, Transportation & Utilities	28.8	1.2	28.9	0.8	28.9	0.4	28.9	0.5	28.9	0.3
Information	3.1	1.9	3.0	-0.3	3.0	-2.8	3.0	-3.3	3.0	-1.3
Finance	9.1	1.9	9.2	1.6	9.2	1.5	9.2	1.0	9.2	0.9
Business Services	22.8	2.1	22.9	1.8	22.9	1.0	22.9	0.6	22.9	0.6
Educational Services	25.0	4.1	25.2	4.2	25.5	4.1	25.7	4.2	26.0	4.2
Leisure and Hospitality Services	16.4	6.3	16.5	5.5	16.7	4.3	16.8	3.6	16.9	2.9
Other Services	5.8	2.7	5.8	2.4	5.8	2.3	5.9	1.8	5.9	1.6
Government	22.5	2.2	22.7	2.7	22.8	2.6	23.0	3.0	23.2	2.8
Personal Income (\$ billions, AR)	22,643.9	5.8	22,868.0	5.6	23,085.7	4.8	23,305.2	4.6	23,678.4	4.6
Wages and Salaries	11,565.4	6.2	11,733.3	6.8	11,917.5	5.7	12,051.7	6.5	12,220.2	5.7
Transfer Receipts	4,102.4	3.6	4,120.1	3.2	4,093.7	2.8	4,072.5	0.0	4,180.8	1.9
Dividends, Interest, and Rents	4,522.8	8.2	4,563.7	6.6	4,580.9	5.4	4,653.4	5.0	4,740.9	4.8
Supplements to Wages and Salaries	2,399.8	4.8	2,420.9	5.0	2,451.2	4.9	2,477.2	5.1	2,512.3	4.7
Proprietors' Income	1,827.4	4.0	1,824.1	2.8	1,859.6	2.9	1,885.8	3.3	1,891.3	3.5
Social Insurance	1,773.9	6.7	1,794.0	6.5	1,817.1	5.3	1,835.5	5.9	1,867.1	5.3
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					
	Q3	% chg	Q4	% chg	Q1	% chg	Q2	% chg	Q3	% chg
Non-farm Employment (thousands, NSA)	2,008.5	3.3	2,015.5	2.8	2,021.2	2.2	2,023.4	1.6	2,038.7	1.5
Goods-producing	350.9	4.1	354.6	3.4	356.1	2.7	355.6	2.1	354.8	1.1
Mining	8.7	10.5	8.7	6.1	8.6	2.9	8.7	2.8	8.3	-5.2
Construction	88.0	7.4	88.9	7.6	90.1	7.1	90.8	6.5	90.8	3.2
Manufacturing	254.2	2.8	257.0	1.9	257.5	1.2	256.2	0.6	255.8	0.6
Service-providing	1,352.8	3.3	1,354.0	2.6	1,356.4	1.8	1,356.0	1.2	1,370.6	1.3
Trade, Transportation & Utilities	427.5	1.0	428.0	1.0	427.3	0.3	426.7	-0.1	427.0	-0.1
Information	23.1	10.0	23.2	8.1	23.2	4.6	22.6	-0.9	23.1	0.0
Finance	97.3	0.7	97.0	0.0	96.7	0.1	96.3	0.3	97.5	0.2
Business Services	229.8	1.4	230.3	0.7	230.1	-0.1	226.8	-1.2	231.9	0.9
Educational Services	299.8	5.5	300.9	4.9	303.6	4.2	307.0	4.1	310.6	3.6
Leisure and Hospitality Services	204.2	6.0	203.2	4.4	203.4	2.8	204.5	2.1	208.1	1.9
Other Services	71.0	9.0	71.5	7.0	72.0	5.5	72.2	4.1	72.4	1.9
Government	304.8	2.2	306.9	2.7	308.6	3.5	311.7	3.1	313.3	2.8
Personal Income (\$ billions, AR)	242.5	4.6	244.0	4.4	245.9	4.5	247.8	4.8	251.8	3.8
Wages and Salaries	120.5	8.8	120.8	7.1	122.7	5.8	124.2	7.1	126.0	4.6
Transfer Receipts	60.9	-1.7	62.0	1.4	61.5	3.6	61.3	2.5	63.0	3.4
Dividends, Interest, and Rents	39.4	5.1	39.6	4.3	39.7	3.4	40.1	3.4	40.6	3.3
Supplements to Wages and Salaries	28.3	6.1	28.2	4.6	28.6	4.4	28.9	5.5	29.3	3.4
Proprietors' Income	17.2	2.8	17.1	1.1	17.4	3.3	17.7	3.0	17.7	2.8
Social Insurance	19.3	8.3	19.4	6.4	19.6	5.3	19.8	6.7	20.2	4.2
Residential Adjustment	-4.4	NA	-4.3	NA	-4.4	NA	-4.5	NA	-4.6	NA

APPENDIX

General Fund and Road Fund

Revenue Receipts

THIRD QUARTER FY24

KENTUCKY STATE GOVERNMENT – GENERAL FUND REVENUE

	Third Quarter FY 2024	Third Quarter FY 2023	% Change	Year-To-Date FY 2024	Year-To-Date FY 2023	% Change
TOTAL GENERAL FUND	\$3,530,796,674	\$3,412,047,914	3.5%	\$11,274,445,186	\$10,849,484,278	3.9%
Tax Receipts	\$3,358,065,995	\$3,259,376,970	3.0%	\$10,709,142,441	\$10,418,554,299	2.8%
Sales and Gross Receipts	\$1,675,991,564	\$1,578,566,361	6.2%	\$5,001,560,811	\$4,741,451,444	5.5%
Beer Consumption	1,302,688	1,242,582	4.8%	4,407,346	4,547,959	-3.1%
Beer Wholesale	15,021,042	14,522,357	3.4%	51,792,166	51,898,226	-0.2%
Cigarette	61,565,204	67,987,753	-9.4%	201,172,180	223,257,993	-9.9%
Distilled Spirits Case Sales	58,338	53,107	9.9%	239,727	174,073	37.7%
Distilled Spirits Consumption	4,930,576	4,276,717	15.3%	14,233,550	13,836,562	2.9%
Distilled Spirits Wholesale	18,955,132	17,006,232	11.5%	56,935,861	54,428,613	4.6%
Insurance Premium	88,927,402	73,178,228	21.5%	151,797,588	131,036,473	15.8%
Pari-Mutuel	25,403,806	15,522,502	63.7%	46,666,240	39,533,255	18.0%
Race Track Admission	0	0	---	0	63,820	-100.0%
Sales and Use	1,411,325,233	1,343,180,811	5.1%	4,335,044,818	4,109,255,251	5.5%
Wine Consumption	796,810	799,835	-0.4%	2,301,176	2,398,266	-4.0%
Wine Wholesale	5,239,591	5,131,968	2.1%	15,120,580	15,292,492	-1.1%
Telecommunications Tax	23,749,969	19,791,218	20.0%	60,541,270	57,632,820	5.0%
Other Tobacco Products	9,996,920	10,290,806	-2.9%	31,048,522	32,511,031	-4.5%
Floor Stock Tax	74	121	-39.0%	1,043	2,486	-58.0%
Car Rental & Ride Sharing	8,718,779	5,582,123	56.2%	30,258,745	5,582,123	442.1%
Natural Resources	\$32,711,230	\$37,063,202	-11.7%	\$86,263,153	\$112,569,667	-23.4%
Coal Severance	25,073,940	27,187,957	-7.8%	58,799,042	73,918,420	-20.5%
Oil Production	1,366,371	1,542,760	-11.4%	4,267,420	5,937,905	-28.1%
Minerals Severance	5,580,933	4,444,274	25.6%	20,696,046	19,275,036	7.4%
Natural Gas Severance	689,986	3,888,211	-82.3%	2,500,645	13,438,307	-81.4%
Individual Income Tax	\$1,346,300,874	\$1,341,541,098	0.4%	\$4,180,959,882	\$4,102,857,972	1.9%
Withholding	1,218,754,854	1,315,726,277	-7.4%	3,641,055,931	3,841,834,412	-5.2%
Declarations	108,711,708	151,968,777	-28.5%	236,897,241	342,144,122	-30.8%
Net Returns	(160,194,376)	(121,480,928)	---	(240,199,061)	(74,870,529)	---
Fiduciary	(7,051,490)	(4,673,028)	---	(22,889,796)	(6,250,034)	---
Pass-Through Entity Tax	186,080,178	0	---	566,095,567	0	---
Major Business Taxes	\$75,312,694	\$101,527,794	-25.8%	\$646,089,000	\$699,677,873	-7.7%
Corporation Income	25,690,608	67,059,516	-61.7%	487,423,082	582,728,037	-16.4%
LLET	49,622,086	34,468,278	44.0%	158,665,918	116,949,836	35.7%
Property	\$205,364,090	\$179,826,890	14.2%	\$727,024,343	\$696,132,423	4.4%
General - Real	83,118,582	81,713,163	1.7%	355,116,716	334,078,795	6.3%
General - Tangible	27,389,814	23,349,854	17.3%	129,470,168	127,533,754	1.5%
Tangible - Motor Vehicle	48,111,347	52,154,312	-7.8%	132,943,079	133,033,228	-0.1%
Omitted & Delinquent	18,313,061	15,790,362	16.0%	27,143,454	19,566,948	38.7%
Public Service	26,588,239	5,873,345	352.7%	77,514,215	78,443,755	-1.2%
Other	1,843,047	945,853	94.9%	4,836,712	3,475,942	39.1%
Inheritance Tax	\$16,841,209	\$15,850,374	6.3%	\$57,146,030	\$55,957,987	2.1%
Miscellaneous	\$5,544,334	\$5,001,251	10.9%	\$10,099,223	\$9,906,933	1.9%
License and Privilege	\$399,187	\$429,738	-7.1%	1,314,446	1,418,645	-7.3%
Bank Franchise	\$47,988	(\$697,401)	---	(803,969)	(632,088)	---
Legal Process	2,184,883	2,356,035	-7.3%	6,616,671	6,982,728	-5.2%
T. V. A. In Lieu Payments	2,907,960	2,908,728	0.0%	2,964,936	2,109,737	40.5%
Other	4,315	4,151	3.9%	7,139	27,911	-74.4%
Nontax Receipts	\$172,512,794	\$152,205,173	13.3%	\$563,880,203	\$423,388,115	33.2%
PSC Assessment Fee	6,377	10,843	-41.2%	11,167,347	10,214,517	9.3%
Fines & Forfeitures	5,191,532	4,772,030	8.8%	16,779,235	14,427,224	16.3%
Income on Investments	73,342,050	50,487,733	45.3%	214,694,518	88,131,070	143.6%
Lottery	86,500,000	83,500,000	3.6%	259,548,869	247,290,883	5.0%
Redeposit of State Funds	\$217,885	\$465,771	-53.2%	\$1,422,542	\$7,541,864	-81.1%

KENTUCKY STATE GOVERNMENT – ROAD FUND REVENUE

	<u>Third Quarter</u> <u>FY 2024</u>	<u>Third Quarter</u> <u>FY 2023</u>	<u>%</u> <u>Change</u>	<u>Year-To-Date</u> <u>FY 2024</u>	<u>Year-To-Date</u> <u>FY 2023</u>	<u>%</u> <u>Change</u>
TOTAL STATE ROAD FUND	\$447,893,283	\$428,704,544	4.5%	\$1,364,224,682	\$1,271,187,980	7.3%
Tax Receipts-	\$438,864,061	\$416,462,498	5.4%	\$1,333,852,162	\$1,244,243,519	7.2%
Sales and Gross Receipts	\$373,690,854	\$348,799,974	7.1%	\$1,163,467,351	\$1,070,504,910	8.7%
Motor Fuels Taxes	214,547,336	179,687,588	19.4%	670,121,032	582,596,414	15.0%
Motor Vehicle Usage	159,082,125	169,112,386	-5.9%	493,346,319	487,908,496	1.1%
EV Charging Station Tax	61,393	0	---	61,393	0	---
License and Privilege	\$65,173,207	\$67,662,524	-3.7%	\$170,384,811	\$173,738,609	-1.9%
Motor Vehicles	31,022,929	34,186,940	-9.3%	70,895,922	76,491,445	-7.3%
Motor Vehicle Operators	7,674,922	7,017,766	9.4%	24,205,373	21,287,350	13.7%
Weight Distance	21,639,556	21,518,721	0.6%	65,334,202	66,190,826	-1.3%
Truck Decal Fees	56,960	47,960	18.8%	121,460	151,780	-20.0%
Other Special Fees	4,778,839	4,891,136	-2.3%	9,827,855	9,617,208	2.2%
Nontax Receipts	\$8,783,322	\$12,108,412	-27.5%	\$28,547,508	\$26,630,912	7.2%
Departmental Fees	4,480,584	6,194,935	-27.7%	14,297,110	18,881,686	-24.3%
In Lieu of Traffic Fines	52,200	132,705	-60.7%	137,010	364,845	-62.4%
Income on Investments	2,348,081	4,849,057	-51.6%	9,257,537	4,523,137	---
Miscellaneous	1,680,276	931,715	80.3%	4,855,851	2,861,244	69.7%
Hybrid/Electric Annual Fee	222,180	0	---	222,180	0	---
Redeposit of State Funds	\$245,899	\$133,633	84.0%	\$1,825,013	\$313,549	482.0%

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 14, 2024 data release.

Table 4

Not Seasonally Adjusted. Data for FY24 Q3 are March 2024 estimates.

Source: IHS Markit - Economics & Country Risk, March 14, 2024 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 Q3 are March 2024 estimates.

Source: IHS Markit - Economics & Country Risk, March 14, 2024 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 2024.

Table 10

Not Seasonally Adjusted. Data for FY24 Q3 are March 2024 estimates.

Source: IHS Markit - Economics & Country risk, March 14, 2024 data release.