

FY18 REVENUE UPDATE

(INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND
REVENUE)

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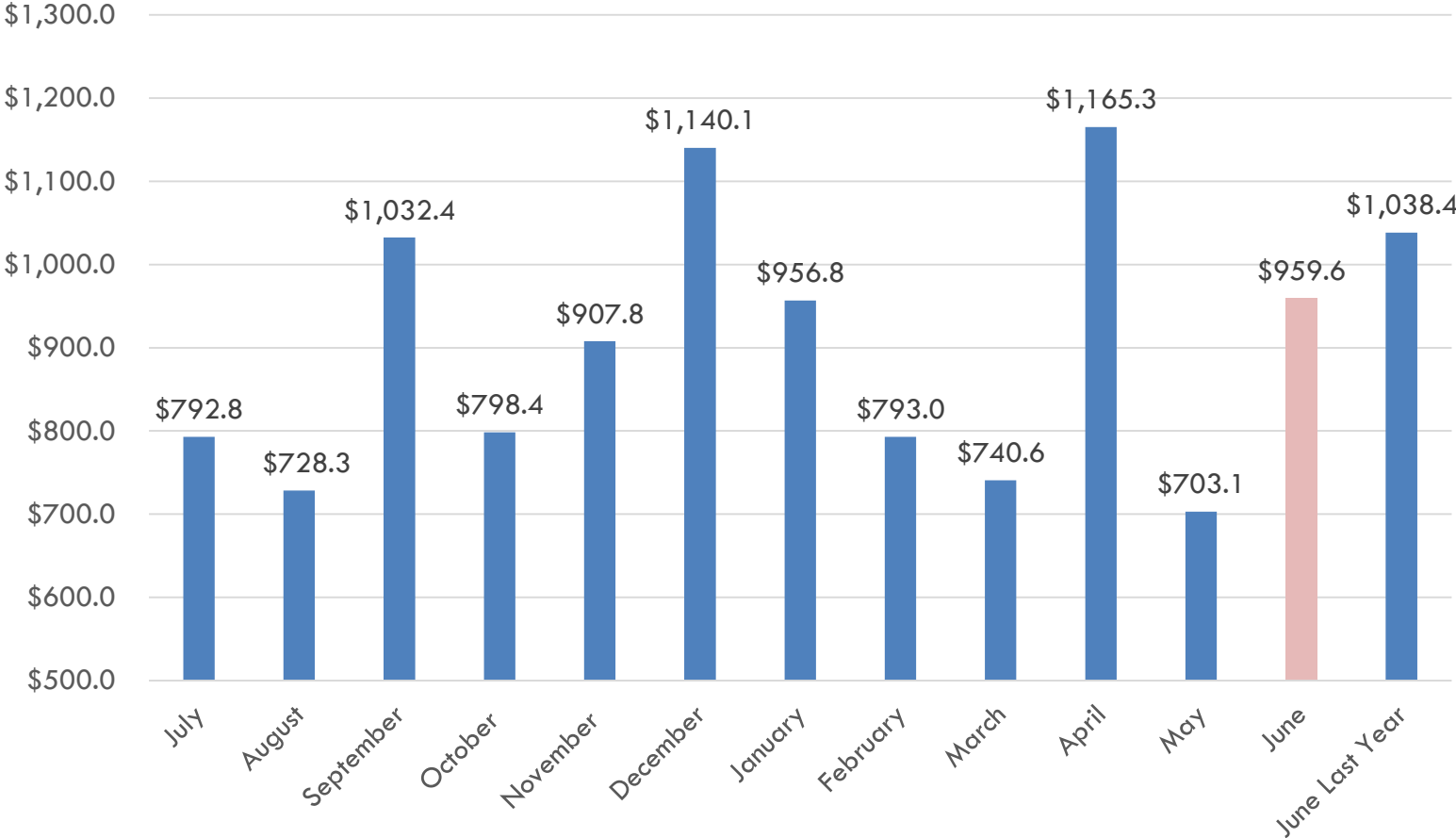
JUNE 28, 2018

Office of State Budget Director

Revenue Update for June 2018

- Our last Quarterly Report (Issued in April) predicted a General Fund (GF) revenue surplus of \$110.7 million
- Since then, the fourth quarter activity has been mixed
 - ▣ April was up 6.3%
 - ▣ May was down 4.9%
- The focus of today's remarks will be the revenue closeout for both the General Fund and Road Fund, as well implications for FY19.

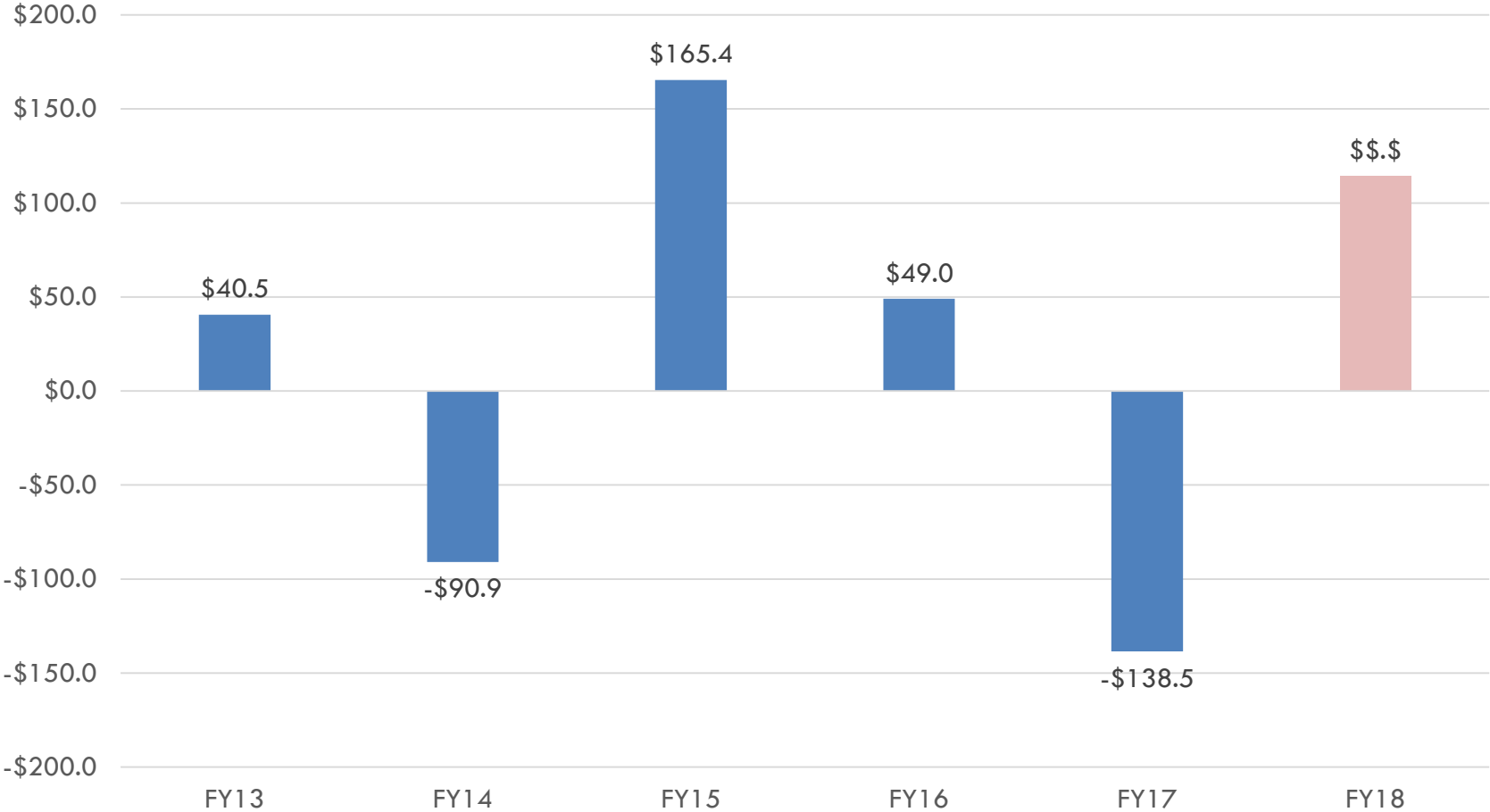
Revenue Pattern throughout the Year



Past GF Forecasting Accuracy

(Actual Receipts Minus the Enacted Estimates)

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What Makes June a Special Month?

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- June is typically one of the largest months of the year in terms of General Fund revenue.
 - ▣ Estimated payments for calendar-year corporation income tax filers are due (50% of annual tax)
 - Due date is June 15th
 - Last year receipts were \$152.1 million (Lower in FY18)
 - ▣ Estimated payments for individual income tax filers are due (25% of annual tax)
 - Due Date is June 15th
 - Last year receipts were \$77.5 million (Higher in FY18)
 - ▣ IIT Refunds are winding down

What Makes June 2018 a Special Month?

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- Uncertainty about the effects of state and federal tax reform
 - ▣ Effects on estimated payments
 - ▣ Effects on State withholding
- Close-out will be expedited due to the eMars update
 - ▣ Cut-off to post receipts is noon Saturday June 30
 - ▣ Typically the cut-off is a little later
 - ▣ eMars update requires an earlier period 13 accounting close

Receipts Month-to-Date

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- Sales and Withholding have already exceeded their June 2017 totals (as of late Wednesday)
- Individual declarations have exceeded last year; refunds are significantly lower
- Corporate declarations will fall short of the amount from June 2017, but the LLET is showing good growth
- No bad surprises on the “regular” receipts front

GF Revenue Prediction for June FY18

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- Need \$959.6 million to hit the enacted estimate. That hurdle was cleared as of Tuesday collections.
- Last June we received \$1,038.4 million.
- A flat June yields \$78.8 million more than the enacted estimate
- To hit the last quarterly estimate of the year-end balance (+ \$110.7 million) we need \$1,070.3 million
- Right now the prediction would be \$1,074 million which is \$114.4 million in excess of the estimate

Qualifiers and Caveats

- Expecting \$35.5 million from the KY Lottery in June
 - ▣ \$10.0 million in excess of enacted estimates;
 - ▣ \$10.5 million in excess of June 2017; but
- Expecting to process \$20.0 million less in General Fund receipts in June due to the eMars update
 - ▣ June 30, 2017 -- \$16.7 million
 - ▣ June 30, 2016 -- \$25.1 million
 - ▣ Not a loss of revenue but rather a shift to July receipts
- Caveats net out to a minus \$9.5 million v. June 2017
- Individual income and Sales will overcome caveats

Road Fund Prediction for June FY18

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- Need \$123.2 million to hit the enacted estimate of \$1,503.3 million
- Last June we received \$126.4 million
- A flat June yields \$3.2 million more than the enacted estimate
- To hit the last quarterly estimate of the year-end balance (-7.9 million) we need \$115.3 million
- OSBD predicts that the Road Fund will be approximately equal to the official estimate

Things to Look Forward to in FY19

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- See how our estimates of tax reform hold up
 - ▣ FY19 fiscal impact was +192.3 million
 - ▣ Sales Tax +\$208.2 million
 - ▣ Corporate income -\$27.6 million
 - ▣ Individual income -\$118.3 million
 - ▣ Tobacco Taxes +\$130 million
- South Dakota v. Wayfair, Inc. receipts
- Growth needed to hit the pre-reform estimate will be lower than the CFG predicted
 - ▣ CFG predicted \$11,005.9 million (2.7% growth) in FY19
 - ▣ Beating the estimate in FY18 lowers actual growth needed in FY19

Questions ??

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