

APPROPRIATIONS AND REVENUE COMMITTEE PRESENTATION

CONSENSUS FORECASTING GROUP ACTIONS
EXECUTIVE BRANCH RESPONSE
COVID-19 FEDERAL FUNDING UPDATE

JOHN T. HICKS, STATE BUDGET DIRECTOR

JUNE 3, 2020

Request for Revised Estimates

- KRS 48.115(2) permits the Legislative Research Commission or the State Budget Director to determine that a revision to the enacted revenue estimates is needed, and request a revision from the consensus forecasting group. The revision shall become the official revenue estimates.
- After the publication of the Quarterly Economic and Revenue Report in late April, State Budget Director John Hicks requested the Consensus Forecasting Group to decide on a revised, official revenue forecast for fiscal year 2019-2020.

Consequences of New Estimates

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- KRS 48.130 & 48.600 address revenue shortfalls
 - A Budget Reduction Plan is included in the budget bill (HB 352) for a revenue shortfall
 - All 3 branches of state government prepare a specific plan. The Budget Reduction Plan can comprise of appropriation reductions, fund transfers, and use of the Budget Reserve Trust Fund to balance the budget

IHS Markit Forecast

(National Forecasting Group used by OSBD and the CFG)

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- Unprecedented Global Contraction
 - ▣ Efforts to Limit Spread of COVID-19
 - ▣ Consumer and Business Demand Collapse
 - ▣ Supply-chain Disruptions
 - ▣ Energy Sector Weakness - Historic Decline in Oil Prices
 - ▣ Pandemic Peaks and Low Point in Q4 of FY 20
 - ▣ Federal Fiscal and Monetary Policy Response

Delayed Income Tax Filings to July 15

- In March, Governor Beshear made the decision to delay the income tax filing deadline by three months from April 15th to July 15th
- SB150 was enacted to reinforce the COVID-19 actions
- The Finance and Administration Cabinet's Department of Revenue, the Office of the Controller and the Office of State Budget Director coordinated to ensure that the delayed tax filing receipts would be deposited into the FY 2020 accounts
- Final General Fund revenues will not be known until late July

General Fund Forecast FY 2020

(Million \$, Official CFG estimates from May 22, 2020)

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Revised Official Estimate - May 22, 2020

	FY 2019	Enacted FY 2020	Revised FY 2020	Difference from Enacted	% Change from
	Actuals	Estimate	Estimate	FY 2020	FY 2019
General Fund	(in millions of \$)				
Individual Income	\$4,544.7	\$4,664.4	\$4,526.0	(\$138.4)	-3.0%
Sales & Use	3,937.6	4,129.8	3,931.6	(198.2)	-4.8%
Corporate Income and LLET	762.7	581.1	488.4	(92.7)	-16.0%
Property	647.0	657.1	632.4	(24.7)	-3.8%
Lottery	263.9	271.0	262.4	(8.6)	-3.2%
Cigarette	353.5	344.9	352.0	7.1	2.1%
Coal Severance	92.9	55.9	62.7	6.8	12.2%
Other	790.4	744.0	736.0	(8.0)	-1.1%
General Fund Total	\$11,392.7	\$11,448.2	\$10,991.5	(\$456.7)	-4.0%

General Fund Forecast FY 2020

(Million \$, Official CFG estimates from May 22, 2020)

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Revised Official Estimate - May 22, 2020

	FY 2020 May- June Estimate	% Change from FY 2019	FY 2020 4th Qtr. Estimate	% Change from Q4 FY 19	FY 2020 Full Year Estimate	% Change from FY 2019
General Fund						
Individual Income	\$809.3	11.0%	\$1,171.0	-13.6%	\$4,526.0	-0.4%
Sales & Use	504.2	-26.0%	\$845.1	-19.2%	3,931.6	-0.2%
Corporate Income and LLET	65.0	-55.6%	\$117.1	-63.5%	488.4	-36.0%
Property	20.4	-53.7%	\$37.7	-48.1%	632.4	-2.3%
Lottery	39.0	-33.7%	\$61.0	-24.0%	262.4	-0.6%
Cigarettes	59.4	-3.3%	\$84.1	-9.3%	352.0	-0.4%
Coal Severance	10.4	-42.4%	\$14.5	-46.2%	62.7	-32.5%
Other	108.4	-33.0%	\$142.7	-27.5%	736.0	-6.9%
General Fund Total	\$1,616.1	-15.0%	\$2,473.2	-22.5%	\$10,991.5	-3.5%

Road Fund Forecast FY 2020

(Million \$, Official CFG estimates from May 22, 2020)

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	FY 2019 Actuals	Enacted FY 2020 Estimate	Revised FY 2020 Estimate	Difference from Enacted FY 2020	% Change from FY 2019	
Road Fund	(in millions of \$)					
Motor Fuels	\$773.2	\$773.2	\$696.2	(\$77.0)	-10.0%	-10.0%
Motor Vehicle Usage	514.5	518.6	458.1	(60.5)	-11.7%	-11.0%
Motor Vehicle License	120.9	115.4	105.7	(9.7)	-8.4%	-12.6%
Motor Vehicle Operators	16.6	17.1	14.0	(3.1)	-18.1%	-15.8%
Weight Distance	83.7	83.8	73.9	(9.9)	-11.8%	-11.7%
Other	57.1	43.7	42.1	(1.6)	-3.7%	-26.2%
Road Fund Total	\$1,566.1	\$1,551.8	\$1,390.0	(\$161.8)	-10.4%	-11.2%

Road Fund Forecast FY 2020

(Million \$, Official CFG estimates from May 22, 2020)

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	FY 2020	% Change	FY 2020	% Change	FY 2020	% Change
	May-June	from	4th Qtr.	from	Full Year	from
Road Fund	Estimate	FY 2019	Estimate	Q4 FY 19	Estimate	FY 2019
Motor Fuels	\$58.8	-56.2%	\$114.9	-41.9%	\$696.2	-10.0%
Motor Vehicle Usage	38.7	-56.2%	58.5	-57.6%	458.1	-11.0%
Motor Vehicle License	16.1	-30.2%	28.4	-34.0%	105.7	-12.6%
Motor Vehicle Operators	1.1	-59.4%	2.0	-54.4%	14.0	-15.8%
Weight Distance	4.4	-71.4%	10.4	-49.4%	73.9	-11.7%
Other	2.3	-85.1%	8.9	-57.3%	42.1	-26.2%
Road Fund Total	\$121.4	-56.5%	\$223.1	-47.5%	\$1,390.0	-11.2%

Pessimistic Scenario

(Scenario selected by the CFG)

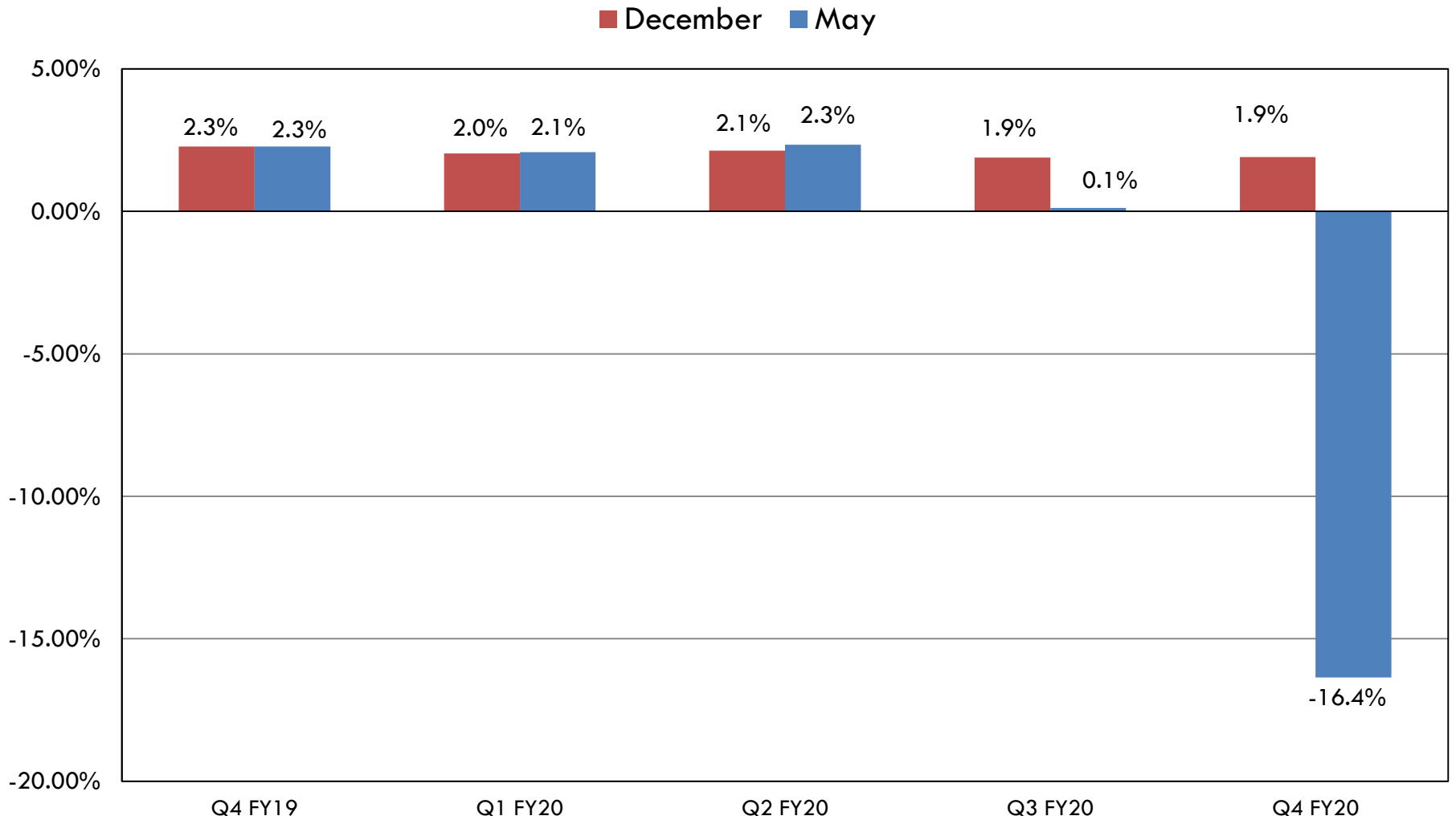
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- Forecast assumes sharp, deep contraction
 - ▣ Growth contracts 3.0% in FY2020 and 20.9% for CY2020
 - ▣ Consumer spending falls at 60% annualized rate in FY20Q4
 - ▣ Peak to trough, Real GDP declines 22.9%

- Unemployment rate reaches 22.2% by FY21Q1

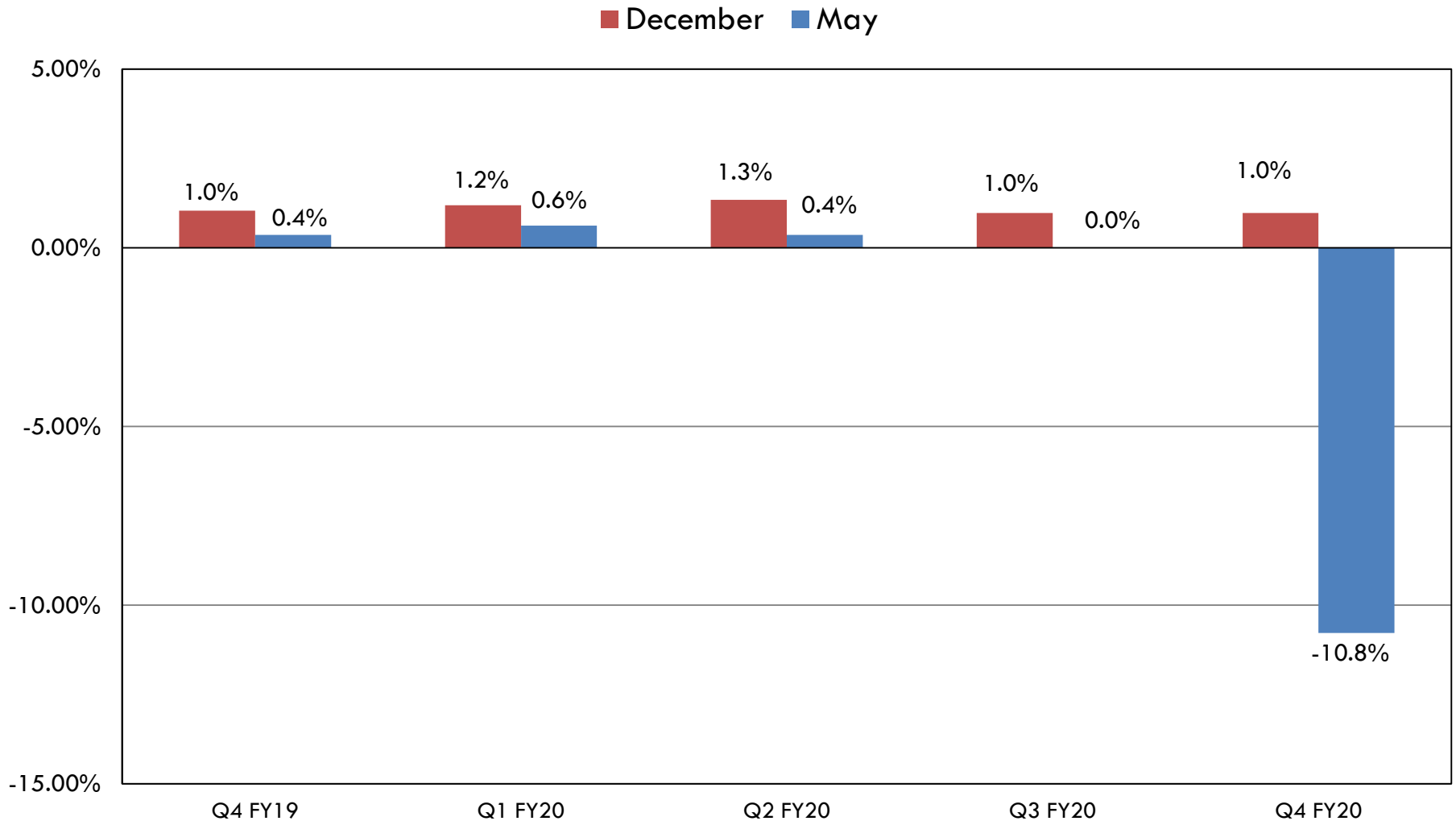
Real GDP

(IHS Markit Forecast, Quarterly Growth Rates)



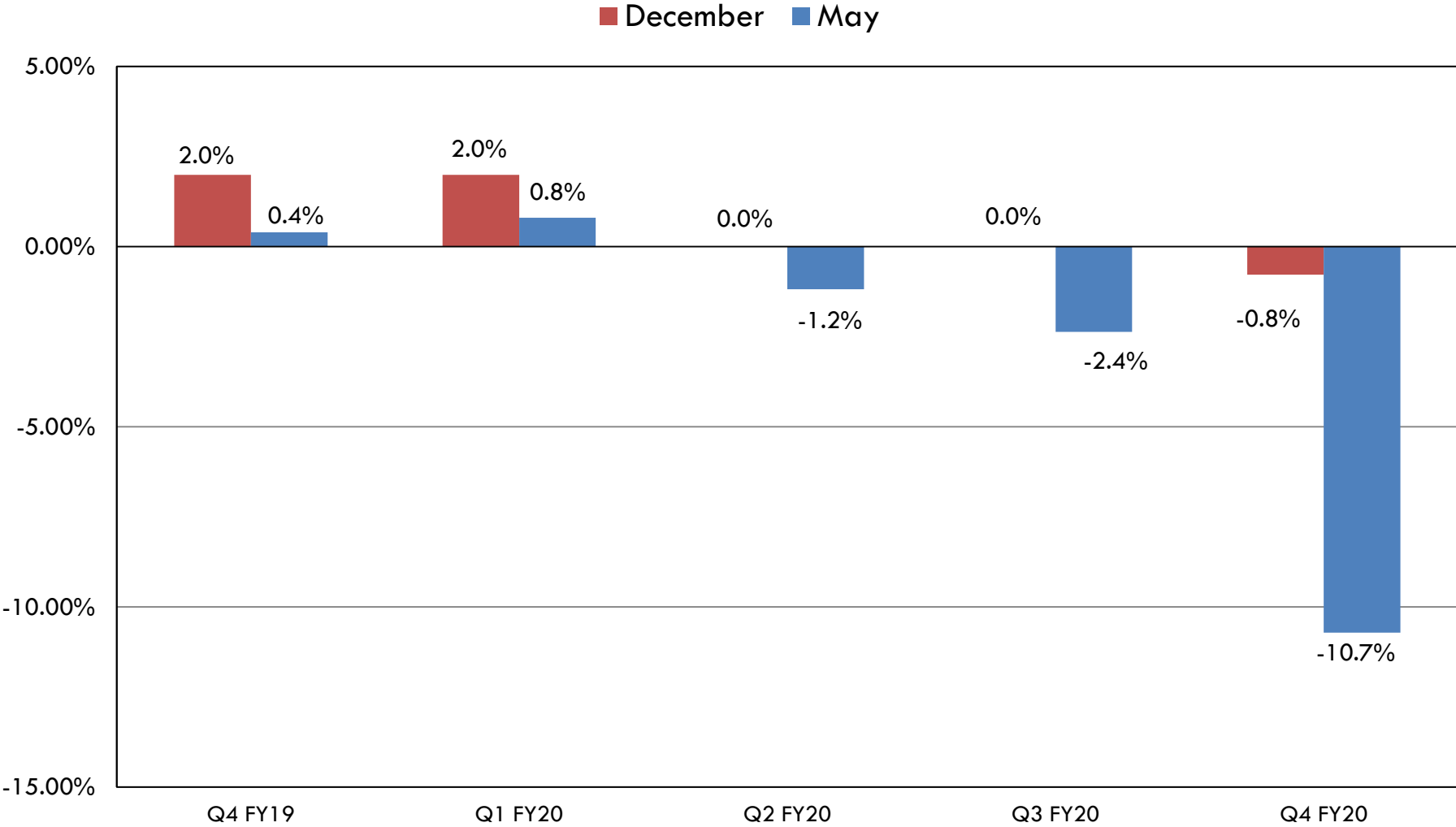
Kentucky Non-Farm Employment

(KY MAK Model, Quarterly Growth Rates)



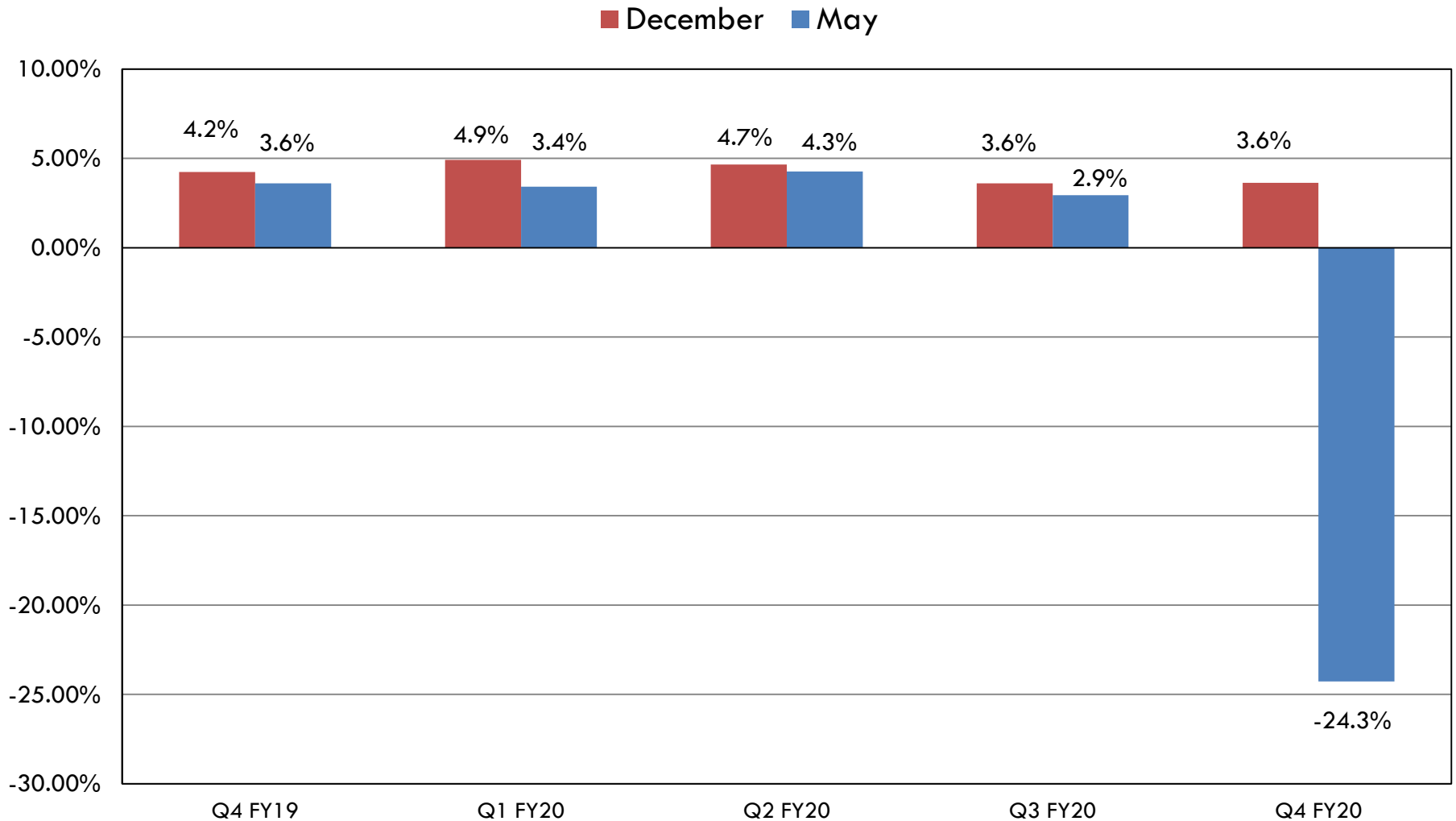
Kentucky Manufacturing Employment

(KY MAK Model, Quarterly Growth Rates)



Kentucky Wages and Salaries

(KY MAK Model, Quarterly Growth Rates)



General Fund Reduction Plan

FY 2020 – HB 352

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The following actions are typical to balance the budget :

- Fund transfers
- Unexpended debt service
- Reduce appropriations
- Funds available in the Budget Reserve Trust Fund, not to exceed 50% in FY 2020
- **Fourth Quarter Revenue Shortfall of this magnitude, 4%, is unprecedented in recent times:**
 - ▣ 2.7% in FY 2001, 2.1% in FY 2002, 0.6% in FY 2009, 1% in FY 2014, 1.3% in FY 2017

General Fund Reduction Plan

Initial Actions

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- Hiring Restrictions put in place
- Limit on discretionary Spending unrelated to COVID-19 response
- State Agencies asked for Preliminary General Fund spending reduction plans
- Target of at least 1% of annual appropriations or about 12.5% of remaining budget
- Spending reduction plans sought from statewide Constitutional Officers once CFG revised the revenue estimate

General Fund Reduction Plan

Next Steps

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- Monitor U.S. Congressional Actions in June
 - ▣ Flexibility in Coronavirus Relief Fund (CRF) or New Federal Fiscal Relief?
- Monitor Year-end Spending to determine lapses (unspent balances)
- Identify General Fund Spending covered by CRF
- Monitor Year-end actual Revenues
- Implement actions necessary to balance

Road Fund Budget Reduction Planning

- The CFG forecasted a \$161.8 million revenue shortfall
- A Road Fund budget reduction plan is underway
- Revenue Sharing amounts are reduced automatically based on Motor Fuels tax receipts: (\$37.1) million if CFG estimate is on-target
- Identify General Fund Spending covered by CRF
- Monitor Year-end actual Revenues

COVID-19 Federal Funding

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- Four Federal appropriation actions enacted to prevent, prepare for and respond to COVID-19
- Coronavirus Preparedness and Response Supplemental Appropriations Act (PL 116-123)
- Families First Coronavirus Response Act (PL 116-127)
- Coronavirus Aid, Relief, & Economic Security (CARES) Act (PL 116-136)
- Paycheck Protection Program & Health Care Enhancement Act (PL 116-139)

COVID-19 Federal Funding

State Government Areas and Amounts

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□ Medicaid +6.2% Federal Share (May 20)	\$ 204.2
□ State & Local Gov't COVID-19 Expenses	\$1,598.6
□ Elementary & Secondary Education	\$ 223.2
□ Postsecondary Education	\$ 128.3
□ Testing & Contact Tracing	\$ 113.5
□ Child Care, Utility Asstce, Community Services	\$ 99.5
□ Public Transportation Grants	\$ 60.5
□ Community Development Block Grant	\$ 32.5
□ Aging & Independent Living Programs	\$ 13.6

COVID-19 Federal Funding State Government Areas and Amounts

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□ Food Assistance Storage & Distribution	\$ 13.6
□ Unemployment Insurance Admin.	\$ 12.6
□ Housing Assistance (Ky Housing Corp)	\$ 9.6
□ Justice Grants	\$ 6.8
□ Election Grant	\$ 6.1
□ Dislocated Worker Program	\$ 6.0
□ Behavioral Health	\$ 4.3

COVID-19 Federal Funding

Cabinet	Appropriation Unit	Federal Grant Program Name - Coronavirus Preparedness and Response Supplemental Appropriations Act - PL 116-123	Award/Payment Amount
Health and Family Services	Public Health	CDC-Testing-Epidemiology and Laboratory Capacity for Prevention and Control of Emerging Infectious Diseases	\$7,464,395
NA	NA	HRSA - 25 Community Health Centers	\$1,659,555
Cabinet	Appropriation Unit	Federal Grant Program Name - Families First Coronavirus Relief Act - PL 116-127	Award/Payment Amount
Health and Family Services	Medicaid Benefits	Enhanced Federal Share (FMAP) of +6.2%-as of May 20, 2020	\$204,160,003
Education Workforce Development	Workforce Investment	Emergency Increase in Unemployment Compensation Benefits	
General Government	Department of Agriculture	The Emergency Food Assistance Program-Administrative	\$1,560,556
Health and Family Services	Aging and Independent Living	Congregate Meals	\$1,075,482
Health and Family Services	Aging and Independent Living	Home Delivered Meals	\$2,150,964
Education Workforce Development	Workforce Investment	Unemployment Insurance Administration	\$12,568,000
Cabinet	Approp. Unit	Federal Grant Program Name - CARES Act - PL 116-136	Award/Payment Amount
Multiple	K-12 Schools & Postsec Ed Institutions	Governor's Emergency Education Relief Fund	\$43,795,000
Education Workforce Development	Workforce Investment	Unemployment Insurance-\$600/13 weeks/self-employed, others	
Education & Workforce Development	Department of Education	Elementary and Secondary School Emergency Relief Fund	\$193,187,000
Education & Workforce Development	Department of Education	Child Nutrition - reimbursement of School Nutrition Program	TBD
Education & Workforce Development	Workforce Investment	Dislocated Worker Grant	\$6,000,000
General Government	Office of State Budget Director	Coronavirus Relief Fund	\$1,598,594,564
General Government	Department for Local Government	Community Development Block Grant	\$32,511,199
General Government	Department of Agriculture	The Emergency Food Assistance Program-Administrative	\$2,340,835
General Government	Military Affairs	Emergency Management Performance Grants	\$1,557,873
General Government	Board of Elections	2018 HAVA Election Security Grants	\$6,067,275

COVID-19 Federal Funding

Cabinet	Approp. Unit	Federal Grant Program Name - CARES Act - PL 116-136	Award/Payment Amount
General Government	Veterans Affairs	Medicare Sequestration Payment Adjustment	\$1,008,455
Health and Family Services	Aging and Independent Living	No Wrong Door System Funding Opportunity: Critical Relief Funds	\$750,000
Health and Family Services	Aging and Independent Living	Home and Community Based Supportive Services	\$2,688,705
Health and Family Services	Aging and Independent Living	Family Caregivers	\$1,314,622
Health and Family Services	Aging and Independent Living	Protection of Vulnerable Older Americans	\$268,871
Health and Family Services	Aging and Independent Living	Home-Delivered Meals	\$6,452,892
Health and Family Services	Community Based Services	Low Income Home Energy Assistance Program (LIHEAP)	\$13,745,001
Health and Family Services	Community Based Services	Child Welfare Services	\$732,995
Health and Family Services	Community Based Services	Child Care and Development Block Grant	\$67,741,000
Health and Family Services	Community Based Services	Community Services Block Grant	\$16,857,000
Health and Family Services	Community Based Services	Family Violence Prevention Services	\$469,352
Health and Family Services	Community Based Services	Pandemic Electronic Benefit Transfer Card-\$313.50/mo./free & reduced lunch child	
Health and Family Services	Public Health	CDC-Testing-Epidemiology and Laboratory Capacity for Prevention and Control of Emerging Infectious Diseases	\$8,293,772
Health and Family Services	Public Health	Ryan White HIV/Aids program-Part B	\$490,794
Health and Family Services	Behavioral Health	Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	\$2,000,000
Health and Family Services/Gen Gov't	Behavioral Health/Veterans Affairs	Provider Relief Fund-received to-date	\$2,265,000
Justice and Public Safety	Justice Admin	Coronavirus Emergency Supplemental Funding Program	\$6,827,620
Tourism Arts and Heritage	Arts Council	Partnership in Arts	\$454,100
Transportation	Public Transportation	FTA Non-Urban Areas	\$60,472,456
Transportation	Aviation	FAA Grants-In-Aid For Airports	\$72,000

COVID-19 Federal Funding

Cabinet	Approp. Unit	Federal Grant Program Name - CARES Act - PL 116-136	Award/Payment Amount
Postsecondary Education	Eastern Kentucky University	Higher Education Emergency Relief Fund-Funds for Students	\$5,271,384
Postsecondary Education	KCTCS	Higher Education Emergency Relief Fund-Funds for Students	\$17,946,576
Postsecondary Education	Kentucky State University	Higher Education Emergency Relief Fund-Funds for Students	\$686,039
Postsecondary Education	Morehead State University	Higher Education Emergency Relief Fund-Funds for Students	\$3,008,220
Postsecondary Education	Murray State University	Higher Education Emergency Relief Fund-Funds for Students	\$3,135,385
Postsecondary Education	Northern Kentucky University	Higher Education Emergency Relief Fund-Funds for Students	\$3,999,482
Postsecondary Education	University of Kentucky	Higher Education Emergency Relief Fund-Funds for Students	\$8,905,529
Postsecondary Education	University of Louisville	Higher Education Emergency Relief Fund-Funds for Students	\$6,239,395
Postsecondary Education	Western Kentucky University	Higher Education Emergency Relief Fund-Funds for Students	\$5,318,247
Postsecondary Education	Eastern Kentucky University	Higher Education Emergency Relief Fund-Inst'l Funds	\$5,271,384
Postsecondary Education	KCTCS	Higher Education Emergency Relief Fund-Inst'l Funds	\$17,946,576
Postsecondary Education	Kentucky State University	Higher Education Emergency Relief Fund-Inst'l Funds	\$686,039
Postsecondary Education	Morehead State University	Higher Education Emergency Relief Fund-Inst'l Funds	\$3,008,220
Postsecondary Education	Murray State University	Higher Education Emergency Relief Fund-Inst'l Funds	\$3,135,385
Postsecondary Education	Northern Kentucky University	Higher Education Emergency Relief Fund-Inst'l Funds	\$3,999,482
Postsecondary Education	University of Kentucky	Higher Education Emergency Relief Fund-Inst'l Funds	\$8,905,529
Postsecondary Education	University of Louisville	Higher Education Emergency Relief Fund-Inst'l Funds	\$6,239,395
Postsecondary Education	Western Kentucky University	Higher Education Emergency Relief Fund-Inst'l Funds	\$5,318,247
Postsecondary Education	Kentucky State University	Education Stabilization-Historically Black Colleges and Universities	\$2,358,412
Postsecondary Education	University of Kentucky	Ryan White HIV/Aids program-Part C	\$118,505
Postsecondary Education	University of Louisville	Ryan White HIV/Aids program-Part C	\$126,201
Postsecondary Education	University of Kentucky	Ryan White HIV/Aids program-Part D	\$29,599
Postsecondary Education	University of Louisville	Ryan White HIV/Aids program-Part D	\$33,702
Postsecondary Education	University of Kentucky	Small Rural Hospital Improvement Program	\$3,878,552

COVID-19 Federal Funding

Cabinet	Approp. Unit	Federal Grant Program Name - CARES Act - PL 116-136	Award/Payment Amount
Other Identified CARES Act Grants/Payments			
NA	Ky Housing Corporation	Emergency Solutions Grant	\$8,877,469
NA	Ky Housing Corporation	Housing Opportunities for Persons with AIDS	\$129,762
NA	Ky Housing Corporation	HUD Supplemental Sec. 8 TBRA (Housing Choice Voucher) Funds	\$587,114
NA	Kentucky health care providers	Provider Relief Fund-Tranche 1 3,909 Ky providers	\$452,761,171
NA	Kentucky health care providers	Provider Relief Fund-Tranche 2 325 Ky providers	\$77,728,124
NA	Kentucky health care providers	Provider Relief Fund-Tranche 3-rural 542 Ky providers	\$372,344,460
NA	Kentucky health care providers	Provider Relief Fund-Tranche 4-347 skilled nursing Ky providers	\$129,877,500
NA	NA	Head Start	\$13,535,000
NA	NA	Poison Control Centers	\$66,594
NA	NA	HRSA CDC - 25 Community Health Centers	\$21,702,260
NA	NA	Centers for Independent Living	\$965,337
Cabinet	Appropriation Unit	Federal Grant Program Name - Paycheck Protection and Health Care Assistance Act - PL 116-139	Award/Payment Amount
Health and Family Services	Public Health	Testing and Tracing-Paycheck Protection Program and Health Care Enhancement Act HR 266, April 24, 2020	\$97,738,054
NA	NA	HRSA - Expanding Capacity for Coronavirus Testing -25 Community Health Centers - CARES	\$10,338,265

Questions