

Financial Outlook Report

Interim Joint Committee on Appropriations and Revenue

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Overview

Fiscal Year 2020 Revenue Story

Fiscal Year 2020 General Fund Year-End

Fiscal Year 2020 Road Fund Year-End

Fiscal Year 2021 Outlook

FY2020 General Fund Budget

- Enacted in 2018 with 2.6% revenue growth and 2.4% spending growth
- Modified in 2019 by spending \$18 million from the Budget Reserve Trust Fund
- For the 2020 Session, revenues revised upward by \$102 million to a 1.7% growth rate
- Through March, revenues grew 3.9%
- COVID-19

FY2020 General Fund Revenues

- In response to economic uncertainty, adjusted revenue estimate down \$128 million in April
- Expectation that revenues were likely to fall further
- Consensus Revenue Forecasting Group asked to revise FY 20 revenue estimate in May
- Budget planning efforts began with two months to go in the fiscal year

FY2020 General Fund Revenues

- Enacted in 2018 Session \$11,487.5
- Revised for 2020 Session \$11,590.0
- Enacted in 2020 Session \$11,462.0
- Revised in May 2020 \$10,991.5
- FY 2020 Actuals \$11,566.6

FY2020 General Fund Revenues

		Enacted	Revised		% Change	\$ Change
	FY 2019	FY 2020	FY 2020	FY 2020	from	from
	Actuals	Estimate	Estimate	Actuals	FY 2019	Enacted
General Fund	(in millions of \$)					
Individual Income	\$4,544.7	\$4,664.4	\$4,526.0	\$4,765.2	4.9%	\$100.8
Sales & Use	3,937.6	4,129.8	3,931.6	4,070.9	3.4%	(\$58.9)
Corporate Inc. & Ltd. Liability	762.7	581.1	488.4	639.2	-16.2%	\$58.1
Property	647.0	657.1	632.4	643.0	-0.6%	(\$14.1)
Lottery	263.9	271.0	262.4	271.4	2.8%	\$0.4
Cigarette	353.5	344.9	352.0	355.0	0.4%	\$10.1
Coal Severance	92.9	55.9	62.7	58.8	-36.7%	\$2.9
Other	790.4	757.8	736.0	763.2	-3.4%	\$5.4
General Fund Total	\$11,392.7	\$11,462.0	\$10,991.5	\$11,566.6	1.5%	\$104.6
Enacted Growth Rate		0.6%				

\$177.5 Million - FY2020 General Fund Surplus

Revenues above Enacted Estimate	\$ 104.6
Fund Transfers in Excess of Budget	1.2
Spending Lapses	71.7
General Fund Surplus	\$ 177.5

Spending Lapses

1% Targeted Lapses	\$ 18.2
Coronavirus Relief Fund replacement	23.2
Other Net Lapses	30.3
Total Lapses	\$ 71.7

\$177.5 Million - FY 2020 General Fund Surplus Disposition

Reserve for FY 21 Necessary	
Government Expenses	\$ 15.0
Deposit to Budget Reserve Trust Fund	<u>162.5</u>
General Fund Surplus	<u>\$ 177.5</u>

Budget Reserve Trust Fund (Rainy Day Fund)

- FY 2020 General Fund Surplus deposit of \$162.5 million
- Largest deposit from a Surplus ever
- Current balance of \$465.7 million
- Equates to 4% of FY 20 General Fund revenue - highest ratio in Fund's history
- Raises Ky's ranking from 46th in the country to 44th
- Entering Great Recession, the balance was 2.5% of General Fund
- Enacted budgets from 2012-14 to 2018-20 have appropriated \$161.2 million from the Fund for operating expenses

FY2020 Road Fund Revenues

- Enacted in 2018 Session \$1,508.5
- Revised for 2020 Session \$1,572.8
- Enacted in 2020 Session \$1,551.8
- Revised in May 2020 \$1,390.0
- FY 2020 Actuals \$1,491.5

Road Fund Revenues

FY 2020

		Enacted	Revised		% Change	\$ Change
	FY 2019	FY 2020	FY 2020	FY 2020	from	from
	Actuals	Estimate	Estimate	Actuals	FY 2019	Enacted
Road Fund Revenues	(in millions of \$)					
Motor Fuels	\$773.2	\$773.2	\$696.2	\$741.6	-4.1%	(\$31.6)
Motor Vehicle Usage	514.5	518.6	458.1	499.3	-3.0%	(\$19.3)
Motor Vehicle License	120.9	115.4	105.7	108.6	-10.2%	(\$6.8)
Motor Vehicle Operators	16.6	17.1	14.0	12.9	-22.3%	(\$4.2)
Weight Distance	83.7	83.8	73.9	83.4	-0.4%	(\$0.4)
Other	57.1	43.7	42.1	45.7	-20.0%	\$2.0
Road Fund Total	\$1,566.1	\$1,551.8	\$1,390.0	\$1,491.5	-4.8%	(\$60.3)
Enacted Growth Rate		-0.9%				

FY 20 Road Fund – How Balanced

Revenues less than Enacted Estimate	\$ (60.3)
Reduced Revenue Sharing of Motor Fuels	17.3
Coronavirus Relief Fund replacement	23.7
Spending Lapses	19.4
Road Fund Surplus	\$ 0.1

FY 2021 Fiscal Outlook

FY 2021 Outlook

- Many strong signals that FY 2021 will be a significant budget challenge with lower revenues than in FY 2020
- Federal Stimulus relief to individuals & businesses supported Ky's economy in the last few months – now most have expired
- No further Congressional Action yet for individuals, businesses or state/local governments
- NCSL, NGA, CSG all have sought federal fiscal relief
- Job Losses
- 4th Quarter Indications

2020 Federal Stimulus to Kentucky Non-Government Aid

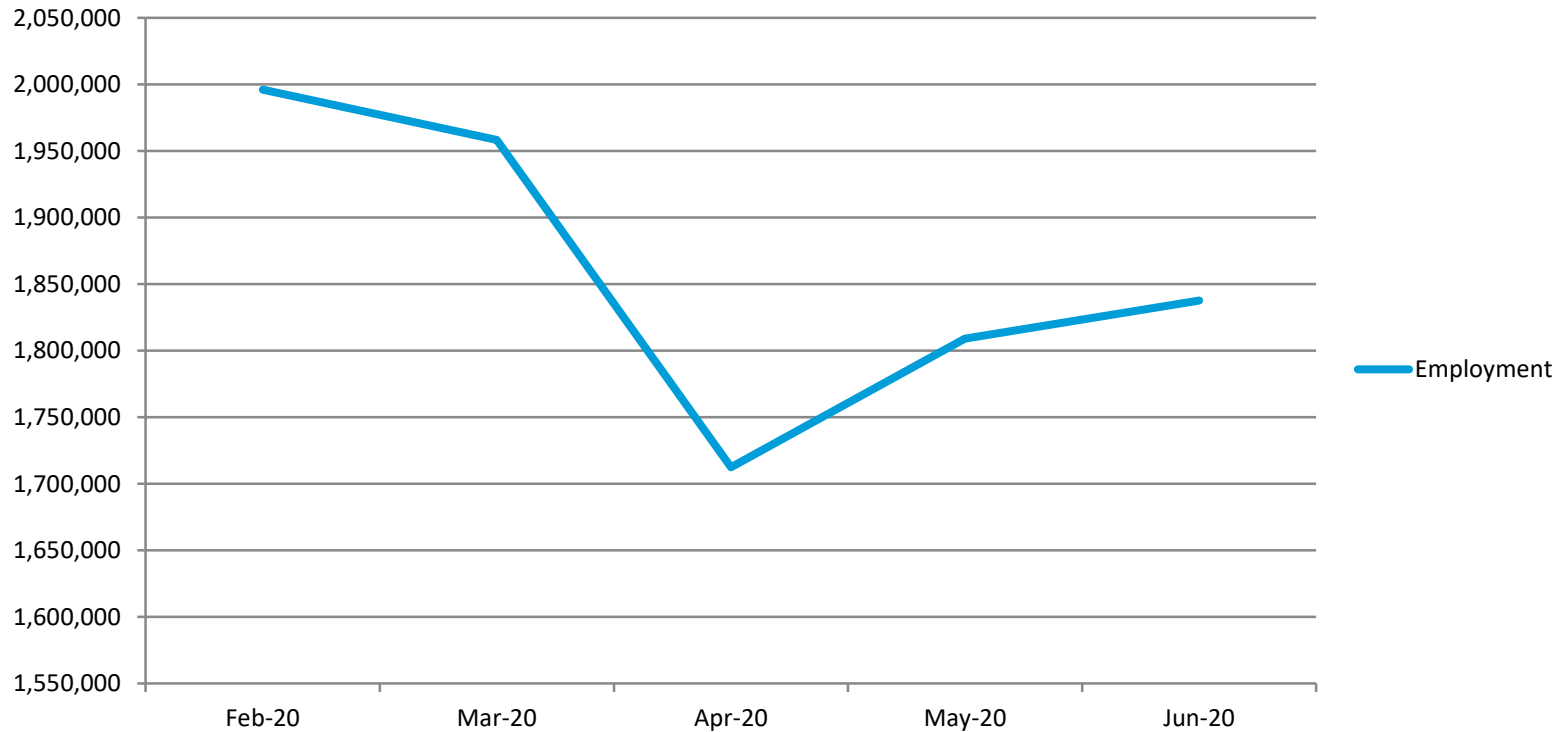
March - July 2020

	Amount
Paycheck Protection Program	\$5,261,535,000
Economic Injury Disaster Loans	\$1,032,035,000
Economic Impact Payments (\$1,200/\$500)	\$3,964,947,786
Subtotal	\$10,258,517,786
Unemployment Benefits - Ky Program	\$1,050,096,340
Unemployment Benefits - Federal Programs	\$2,812,056,346
	\$3,862,152,686
Provider Relief Fund payments to Ky healthcare providers	\$1,292,028,795
Total	\$15,412,699,267
Businesses	\$7,585,598,795
Individuals	\$7,827,100,472
Total	\$15,412,699,267

Kentucky Non-Farm Employment

March through April Over 283,000 Jobs Lost- Recovered 125,000 by June

Kentucky Labor Market Data



FY 2020 General Fund Revenues 4th Quarter – COVID Impact

- Revenues declined by -4.5%
- Sales & Use taxes declined by -5.9%
- Withholding, excluding Unemployment Insurance Benefits, declined by -5.5%
- Individual Estimated Payments -11.8%
- Business taxes declined by -16.5%

FY 2020 General Fund Revenues

4th Quarter – COVID Impact

	FY 2019	FY 2020	FY 2020
	Actuals	4th Qtr.	4th Qtr.
	Q4	Actuals	% Change
General Fund	(in millions of \$)		
Individual Income	\$1,355.1	\$1,410.2	4.1%
Sales & Use	1,046.0	984.4	-5.9%
Corporate Inc. & Ltd. Liability Entity	320.8	267.7	-16.5%
Property	72.7	48.4	-33.5%
Lottery	80.3	70.0	-12.8%
Cigarettes	92.7	87.0	-6.2%
Coal Severance	27.0	10.7	-60.4%
Other	196.9	169.9	-13.7%
General Fund Total	\$3,191.5	\$3,048.3	-4.5%

FY 2020 Road Fund Revenues 4th Quarter – COVID Impact

- Expected quick, deep dive in Road Fund revenues
- Revenues did decline by - 23.6% in 4th quarter
- April -33%, May -34%, June -6%
- Motor Fuels: April -12%, May -28% , June -18%
- Vehicle Use: April -60%, May -30%, June +10%

FY 2020 Road Fund Revenues

4th Quarter – COVID Impact

	FY 2019	FY 2020	FY 2020
	Actuals	4th Qtr.	4th Qtr.
	Q4	Actuals	% Change
Road Fund	(in millions of \$)		
Motor Fuels	\$197.9	\$160.3	-19.0%
Motor Vehicle Usage	138.2	99.7	-27.9%
Motor Vehicle License	43.0	31.3	-27.2%
Motor Vehicle Operators	4.3	0.9	-79.1%
Weight Distance	20.5	19.9	-2.9%
Other	20.9	12.5	-40.2%
Road Fund Total	\$424.8	\$324.6	-23.6%

Questions