

AUGUST 2021 CFG PLANNING ESTIMATES AND YEAR-TO-DATE RECEIPTS

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

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Office of State Budget Director

Consensus Revenue Forecasting in Kentucky

- Consensus Forecasting Group (CFG) met on August 13, 2021, and reached a consensus on estimates for FY22 through FY26
- The August meeting began the process of revising FY22 and projecting the next biennium and beyond
 - ▣ August planning estimates include the current fiscal year and the next four fiscal years pursuant to KRS 48.120 (1)
 - ▣ Two more opportunities to estimate FY22-FY24 in October and December pursuant to KRS 48.120 (2) and KRS 48.120 (3)
 - ▣ August Planning Estimates are not an official revision to the estimates
- The current complement of 10 members of the CFG were jointly selected by the Office of State Budget Director and the Legislative Research Commission
- General Fund, Road Fund, Tobacco MSA estimates

General Fund CFG Planning Estimates

(Millions \$, Adopted August 13, 2021)

<u>Control Scenario</u>	<u>FY21</u>		<u>FY22</u>		<u>FY23</u>		<u>FY24</u>		<u>FY25</u>		<u>FY26</u>	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	% Chg
Individual Income	5,143.8	7.9	5,189.2	0.9	5,362.1	3.3	5,564.8	3.8	5,737.2	3.1	5,920.8	3.2
Sales & Use	4,561.0	12.0	4,780.9	4.8	4,871.0	1.9	5,036.0	3.4	5,157.8	2.4	5,291.6	2.6
Corp. Inc. & LLET	882.8	38.1	751.6	-14.9	760.4	1.2	859.0	13.0	894.6	4.1	938.4	4.9
Property	702.5	9.3	711.0	1.2	735.7	3.5	759.9	3.3	783.2	3.1	807.3	3.1
Lottery	289.1	6.5	319.3	10.4	335.0	4.9	347.0	3.6	355.0	2.3	360.0	1.4
Cigarettes	349.9	-1.4	342.1	-2.2	335.8	-1.8	329.6	-1.8	323.9	-1.7	316.7	-2.2
Coal Severance	56.1	-4.7	67.7	20.8	61.0	-9.9	59.1	-3.1	56.9	-3.7	50.2	-11.8
Other	842.2	10.4	778.7	-7.5	779.6	0.1	802.7	3.0	827.2	3.1	847.6	2.5
Total General Fund	12,827.4	10.9	12,940.5	0.9	13,240.6	2.3	13,758.1	3.9	14,135.8	2.7	14,532.6	2.8

General Fund Growth Projections

(A comparison of planning estimates to other historical periods)

4

	Compound Annual Growth Rates			
	FY22-26	FY22-24	FY15-21	FY10-21
Individual Income Tax	2.9%	2.7%	4.0%	4.5%
Sales tax	3.0%	3.4%	5.7%	4.6%
Business Taxes	1.2%	-0.9%	2.7%	7.9%
Property Taxes	2.8%	2.7%	3.7%	2.8%
Lottery	4.5%	6.3%	4.5%	3.4%
Cigarettes	-2.0%	-2.0%	8.0%	2.1%
Coal Severance	-2.2%	1.8%	-17.7%	-13.4%
Other	0.1%	-1.6%	3.3%	2.7%
General Fund	2.5%	2.4%	4.3%	4.1%

Remarks about CFG Planning Estimates

(General Fund Comparison to Enacted Estimates)

5

- Based on the “control” or baseline economic assumptions
- The only comparison to an officially enacted estimate is for FY22

	<u>FY 2021</u>	<u>FY 2022</u>
CFG December 2020	\$11,729.0	\$11,996.3
Legislative Impacts	(\$25.0)	(\$161.5)
Security Sales	-----	\$15.0
Official Estimate	\$11,704.0	\$11,849.8
Actual or Estimated Receipts	\$12,827.4	\$12,940.5
Difference (from Official)	\$1,123.4	\$1,090.7

Road Fund CFG Planning Estimates

(Millions \$, Adopted August 13, 2021)

Control Forecast		FY21		FY22		FY23		FY24		FY25		FY26	
		Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	% Chg
Motor Fuels		748.4	0.9	790.7	5.7	823.8	4.2	846.1	2.7	856.2	1.2	869.0	1.5
Motor Vehicle Usage		620.9	24.4	647.2	4.2	632.2	-2.3	599.9	-5.1	608.1	1.4	619.6	1.9
Motor Vehicle License		125.5	15.5	116.9	-6.8	122.3	4.6	120.5	-1.5	125.0	3.7	121.4	-2.9
Motor Vehicle Operators		22.1	70.8	20.4	-7.6	22.2	8.8	24.3	9.5	25.0	2.9	26.7	6.8
Weight Distance		83.2	-0.2	89.8	8.0	92.2	2.7	93.4	1.3	94.3	1.0	95.2	1.0
Investment		-0.1	NA	0.2	-269.5	0.4	100.0	0.5	25.0	0.6	20.0	1.0	66.7
Other		42.5	8.8	40.4	-4.8	40.9	1.2	41.4	1.2	41.9	1.2	42.5	1.4
Total Road Fund		1,642.3	10.1	1,705.6	3.9	1,734.0	1.7	1,726.1	-0.5	1,751.1	1.4	1,775.4	1.4

Road Fund Growth Projections

(A comparison of planning estimates to other historical periods)

7

	Compound Annual Growth Rates			
	FY22-26	FY22-24	FY15-21	FY10-21
Motor Fuels	3.0%	4.2%	-2.1%	1.2%
Motor Vehicle Usage	0.0%	-1.1%	6.2%	5.8%
Motor Vehicle License	-0.7%	-1.3%	2.6%	2.4%
Motor Vehicle Operators	3.9%	3.2%	5.5%	3.0%
Weight Distance	2.7%	3.9%	0.8%	1.5%
Investment	NA	NA	NA	NA
Other	0.0%	-0.8%	1.8%	2.8%
Total Road Fund	1.6%	1.7%	1.2%	2.8%

Remarks about CFG Planning Estimates

(Road Fund Comparison to Enacted Estimates)

8

- Based on the “control” or baseline economic assumptions
- The only comparison to an officially enacted estimate is for FY22

	<u>FY 2021</u>	<u>FY 2022</u>
CFG December 2020	\$1,577.7	\$1,609.2
Official Estimate	\$1,577.7	\$1,609.2
Actual or Estimated Receipts	\$1,642.3	\$1,705.6
Difference (from Official)	\$64.6	\$96.4

Planning CFG Tobacco MSA Estimates

9

Fiscal Year 2021	\$126.3 Million
Fiscal Year 2022	\$109.8 Million
Fiscal Year 2023	\$105.6 Million
Fiscal Year 2024	\$ 97.2 Million
Fiscal Year 2025	\$ 91.4 Million
Fiscal Year 2026	\$ 88.7 Million

August General Fund Revenue Receipts

10

- General Fund receipts grew 12.5 percent in August, 10.4 percent higher year-to-date (YTD)
 - ▣ Individual Income rose 10.3 percent, YTD up 5.9 percent
 - ▣ Sales Tax grew 11.7 percent, YTD up 9.4 percent
 - ▣ Business Taxes have grown over 200 percent YTD
- Growth in General Fund revenues has continued into FY22
- September receipts will complete the first fiscal quarter of FY22 and will be incorporated into the October CFG estimation process
- In FY21, the quarterly growth rates in the General Fund were: 5.8%, 5.3%, 6.7%, and 24.8%

August Road Fund Revenue Receipts

- Road Fund receipts grew 5.3 percent in August, 2.8 percent higher year-to-date (YTD)
 - ▣ Motor Fuels taxes rose 3.3 percent, YTD up 4.4 percent
 - ▣ Motor Vehicle Usage grew 5.8 percent, YTD 3.4 percent higher
- In FY21, the quarterly growth rates in the Road Fund were:
 - ▣ First Quarter: 1.9%
 - ▣ Second Quarter: 0.7%
 - ▣ Third Quarter: -0.4%
 - ▣ Fourth Quarter: 43.9%