

SECOND QUARTER RECEIPTS

CONSENSUS FORECASTING GROUP

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DECEMBER 17, 2019

Office of State Budget Director

Purpose of the Meeting

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- KRS 48.120 (3)
 - On or before the fifteenth legislative day, the Office of State Budget Director shall certify and present to the General Assembly the official revenue estimates made by the consensus forecasting group for the general fund and road fund for the current and next two (2) fiscal years.
- Third in a series of three estimates done in preparation for the FY 2020-2022 biennial budget
- Today's estimates will result in an official revision to FY20, as well as the official revenue estimates for the FY20-22 biennial budget

Since the October Meeting?

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- We have updated the IHS Markit forecast from the September version to the November outlook
- October and November receipts have posted
- We have met twice with DOR to discuss the administrative detail behind the monthly data
- In most cases, we have performed a short-term forecasting analysis to complete December and treat the second fiscal quarter as data.

FY 2020 General Fund Growth History

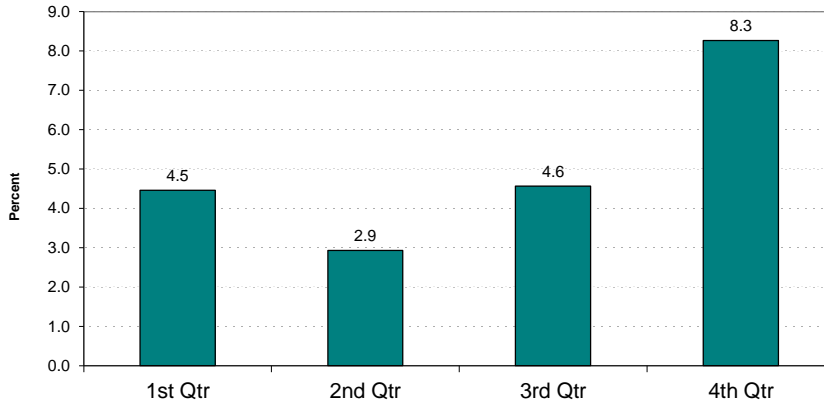
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- **General Fund**
 - ▣ 1st Quarter: +1.1% (Lowest since 2017Q3)
 - ▣ October: +11.5%
 - ▣ November: +7.6%
 - ▣ October/November: 9.4%
- **Road Fund**
 - ▣ 1st Quarter: +1.1%
 - ▣ October: +6.9%
 - ▣ November: -7.1%

Quarterly General Fund Growth in FY19

(Percentage Change, **General Fund**, Fiscal Year Quarters)

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General Fund – Growth by Tax Type FY19

(Percentage Growth)

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	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	FY19
Sales and Use	8.2	9.0	7.9	11.5	9.2
Individual Income	-0.7	-4.0	-2.2	1.1	-1.3
Corporation Income	-5.1	17.5	-48.0	24.9	8.7
LLET	12.7	-53.1	56.3	-24.4	-13.2
Coal Severance	-21.1	-7.2	17.4	30.1	3.6
Cigarette Tax	103.1	69.1	69.4	64.9	76.9
Property	-9.5	5.5	5.3	5.2	4.1
Lottery	2.7	7.6	2.5	4.3	4.3
<u>Other</u>	<u>0.9</u>	<u>-0.2</u>	<u>7.3</u>	<u>29.8</u>	<u>9.3</u>
TOTAL	4.5	2.9	4.6	8.3	5.1

Year to Date Growth in General Fund Taxes

(Growth Rates in FY20 through November)

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- Total General Fund: +4.4%
- Individual Income Tax: +4.5%
 - Withholding: +4.9%
 - Estimated Payments: +4.0%
 - Net Returns: (\$1,996,939) or -17.4%
- Sales tax: +7.1%
- Corporate and LLET: +1.4%
- Coal Severance: -21.2%
- Cigarette Taxes: -1.8%
- Property Taxes: +3.6%

General Fund Trends and Comments

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- Individual Income Tax:
 - Withholding should now be on a comparable basis with FY19 (both on the lower 5.0% rate of withholding).
- Corporate Income and LLET:
 - Refunds will continue to run more negative
 - The Department of Revenue has potential refunds [primarily contingent upon resolution of cases currently under protest] totaling approximately \$22 million that will be paid out within the current fiscal year.
- Sales and Gross Receipts Taxes
 - Marketplace Providers creating a surge in Sales Tax receipts
 - Taxation of streaming services boosting telecommunications tax

Road Fund Major Taxes

(FY20 Year-to-Date through November)

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- Total Road Fund: +0.5%
- Motor Fuels Taxes: +0.5%
- Motor Vehicle Usage: +3.9%
- Motor Vehicle Licenses: -9.5%
- Weight Distance: +0.4%

FY19 Quarterly Road Fund Growth

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