

# KENTUCKY ROAD FUND

(CONSENSUS FORECASTING GROUP)

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SEPTEMBER 25, 2023

Office of State Budget Director

## Road Fund— Actual v. Estimate, FY22

(\$ millions)

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	Actual	Estimate	Diff (\$)	Diff (%)
Motor Fuels	774.6	788.3	(13.7)	(1.7)
Motor Vehicle Usage	629.1	619.7	9.4	1.5
Motor Vehicle License	123.7	116.6	7.1	6.1
Motor Vehicle Operators	28.5	25.8	2.7	10.5
Weight Distance	87.2	90.5	(3.3)	(3.6)
Investment Income	(11.0)	(1.0)	(10.0)	NA
Other	43.3	40.2	3.1	7.7
<b>Total</b>	<b>1,675.4</b>	<b>1,680.1</b>	<b>(4.7)</b>	<b>(0.3)</b>

## Road Fund– Actual v. Estimate, FY23

(\$ millions)

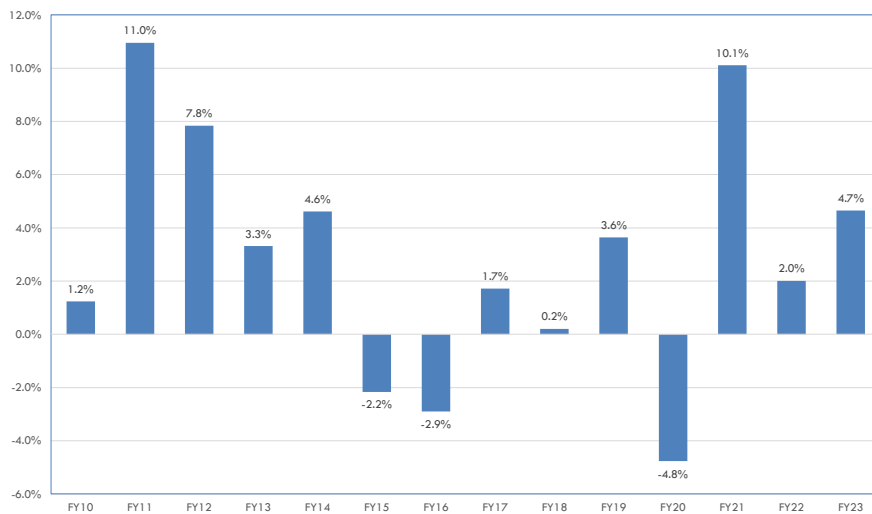
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	Actual	Estimate	Diff (\$)	Diff (%)
Motor Fuels	798.3	833.8	(35.5)	(4.3)
Motor Vehicle Usage	660.3	603.7	56.6	9.4
Motor Vehicle License	126.7	119.4	7.4	6.2
Motor Vehicle Operators	29.7	27.1	2.6	9.7
Weight Distance	87.7	94.6	(6.9)	(7.3)
Investment Income	6.3	0.1	6.2	NA
Other	44.2	42.4	1.8	4.3
<b>Total</b>	<b>1,753.3</b>	<b>1,721.0</b>	<b>32.3</b>	<b>1.9</b>

## Total Road Fund Revenue, FY10-FY23

(Percent Change)

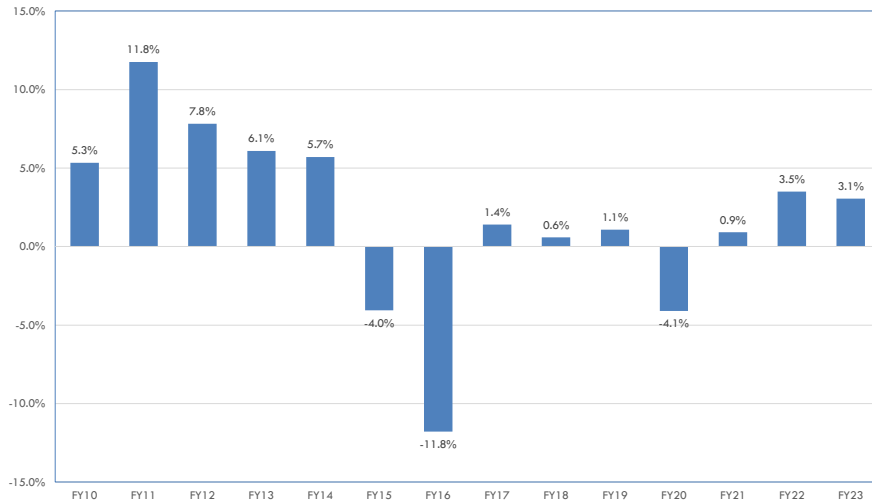
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## Motor Fuels Revenue, FY10-FY23

(Percent Change)

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## Motor Fuels Tax Details

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- Three components of the tax:
- Two are Fixed:
  - Supplemental User Tax @ 5 cents/gallon for gasoline
  - 2 cents/gallon for special fuels (diesel and LP)
  - UST @ 1.4 cents/gallon
- One is Variable:
  - 9% of the average wholesale price (AWP)
  - FY24 rate is 23.7 cents per gallon
- Total Tax Rates for FY24
  - Gasoline: 30.1 cents per gallon
  - Special Fuels: 27.1 cents per gallon

## AWP and Model

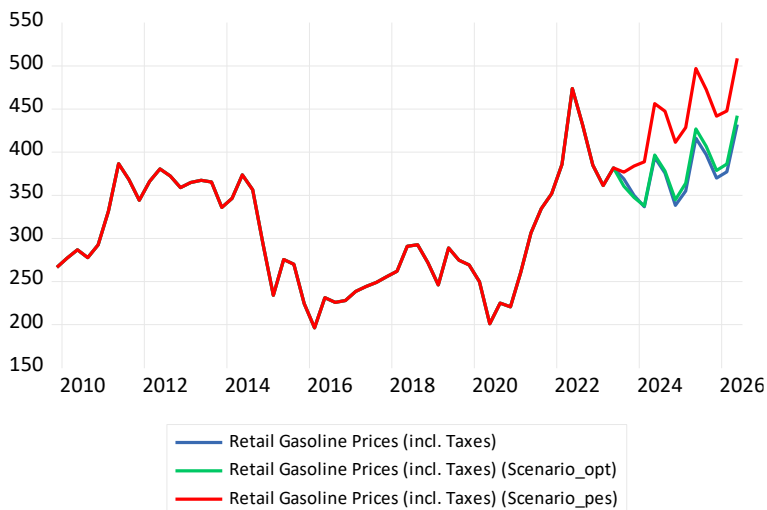
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- DOR calculates AWP quarterly
  - ▣ Weighted by formulation and grade
- Variable portion of the tax rate is 9 percent of the average AWP from the prior FY
  - ▣ The statutory floor is \$2.177 per gallon, or 19.6 cents per gallon
- Once set, tax rate in effect for the entire year
- Limited to a 10% annual increase or decrease
  
- Motor fuels = f(US Gasoline consumption)

## US Retail Gas Prices, Including Taxes

(Cents per Gallon, S&P IHS Global)

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## Variable Motor Fuels Tax Rate

(Cents per Gallon)

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Fiscal Year		Control	Optimistic	Pessimistic
FY23	Q1	19.6	19.6	19.6
	Q2	19.6	19.6	19.6
	Q3	19.6	19.6	19.6
	Q4	21.6	21.6	21.6
FY24	Q1	23.7	23.7	23.7
	Q2	23.7	23.7	23.7
	Q3	23.7	23.7	23.7
	Q4	23.7	23.7	23.7
FY25	Full Year	22.8	22.6	24.5
FY26	Full Year	24.1	24.5	26.9

## Motor Fuels Tax Forecast

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Fiscal Year	Control	Optimistic	Pessimistic
FY 2023	\$798.3 3.0%	\$798.3 3.0%	\$798.3 3.0%
FY 2024	\$907.9 13.7%	\$910.9 14.1%	\$896.8 12.3%
FY 2025	\$887.7 -2.2%	\$889.2 -2.4%	\$915.3 2.1%
FY 2026	\$915.5 3.1%	\$933.7 5.0%	\$977.4 6.8%

## Motor Vehicle Usage Tax Details

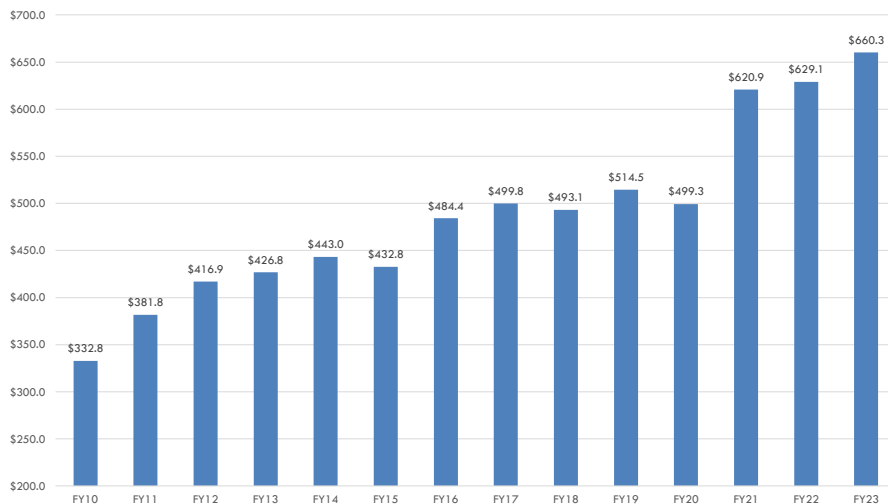
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- Tax is 6 percent of retail price of the vehicle
- A reduction in retail price is allowed for any vehicle traded-in by the buyer
  - ▣ Trade-in allowance available for new or used vehicle purchases
  
- $MVUT = f(\text{US consumer spending on light vehicles})$

## MV Usage Revenue, FY10-FY23

(Millions \$)

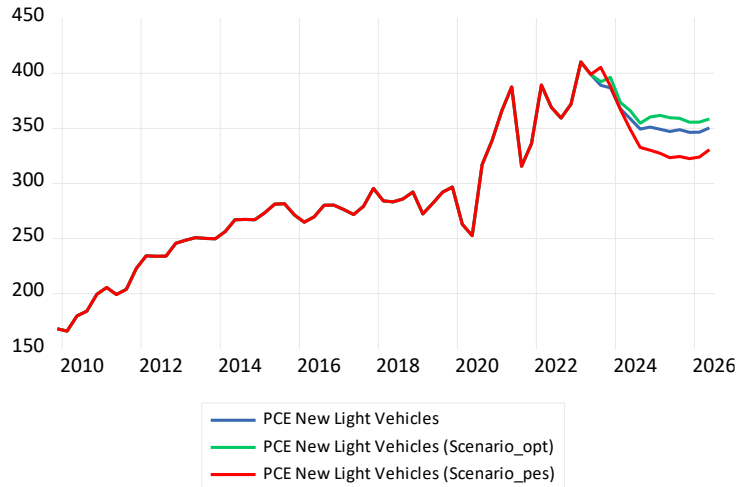
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## Consumer Spending on Light Vehicles

(Billions of Dollars, S&P IHS Global)

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## Motor Vehicle Usage Tax Forecast

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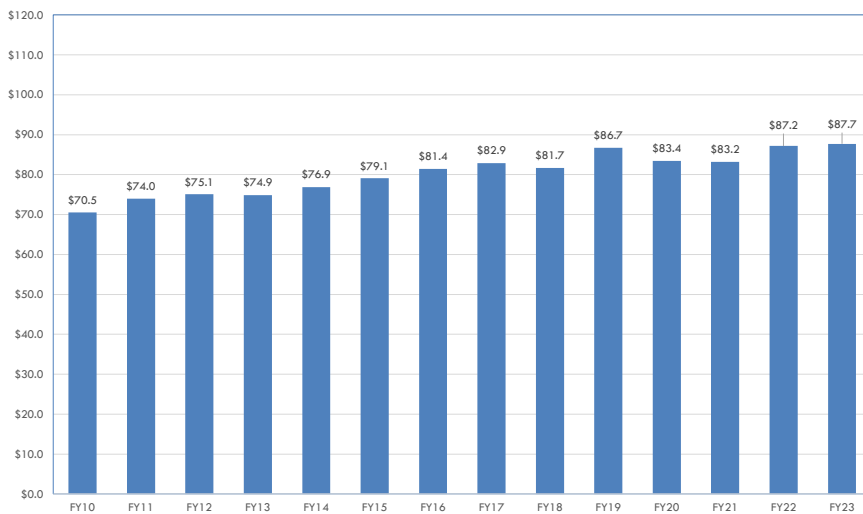
Fiscal Year	Control	Optimistic	Pessimistic
FY 2023	\$660.3 5.0%	\$660.3 5.0%	\$660.3 5.0%
FY 2024	\$659.5 -0.1%	\$670.3 1.5%	\$662.6 0.3%
FY 2025	\$643.0 -2.5%	\$659.7 -1.6%	\$608.2 -8.2%
FY 2026	\$664.3 3.3%	\$679.7 3.0%	\$626.3 3.0%

# Weight Distance Tax

- 2.85 cents/mile for vehicles with licensed weight in excess of 59,999 pounds
- Calculated and paid quarterly
  
- $WD = f(\text{Industrial production index, durable goods})$

# Weight Distance Revenue, FY10-FY23

(Millions \$)

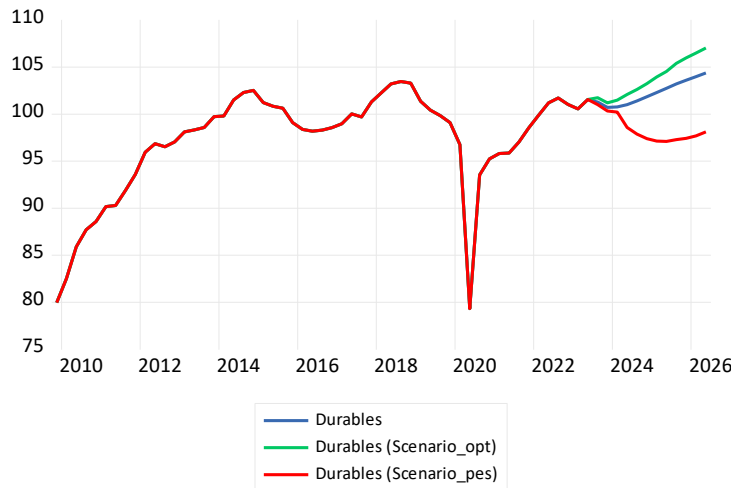




## Industrial Production Index, Durables

(2017 = 100, S&P IHS Global)

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## Weight Distance Tax Forecast

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Fiscal Year	Control	Optimistic	Pessimistic
FY 2023	\$87.7 0.6%	\$87.7 0.6%	\$87.7 0.6%
FY 2024	\$89.6 2.1%	\$89.9 2.5%	\$86.7 -1.2%
FY 2025	\$91.4 2.0%	\$92.8 3.2%	\$84.3 -2.7%
FY 2026	\$92.9 1.6%	\$94.9 2.3%	\$84.6 0.3%

## Motor Vehicle Operators

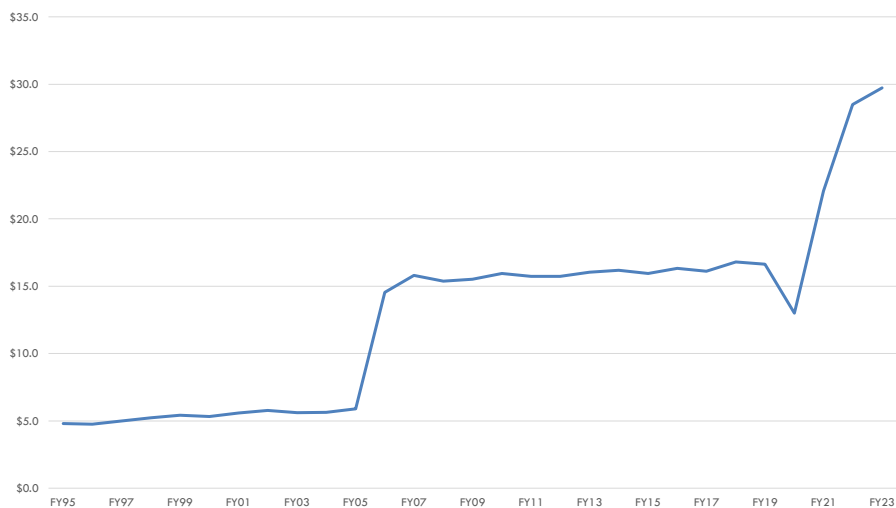
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- Kentucky is transitioning to the REAL ID for all driver's licenses, permits and personal IDs
- Individuals can opt for the Standard Credential or the REAL ID
- Can also choose between a 4-year or an 8-year license
- Small increase from current fees
- ARIMA Model
  - ▣ Stable series and difficult to find explanatory variables

## Motor Vehicle Operators Revenue, FY95-FY23

(Millions \$)

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## Motor Vehicle Operators Forecast

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	Millions \$	Growth Rate(%)
FY23	29.7	4.3
FY24	30.1	1.3
FY25	30.5	1.3
FY26	30.9	1.3

## Motor Vehicle License

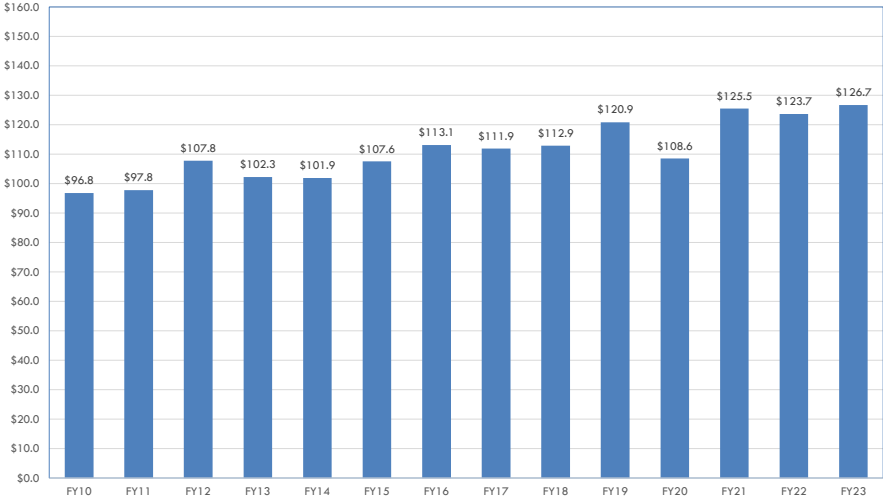
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- Collections are from two sources:
  - Passenger car and motorcycle license plates
  - Truck proportion registration fees
  
- $MV \text{ License} = f(\text{US registered vehicles})$

# Motor Vehicle License Revenue, FY10-FY23

(Millions \$)

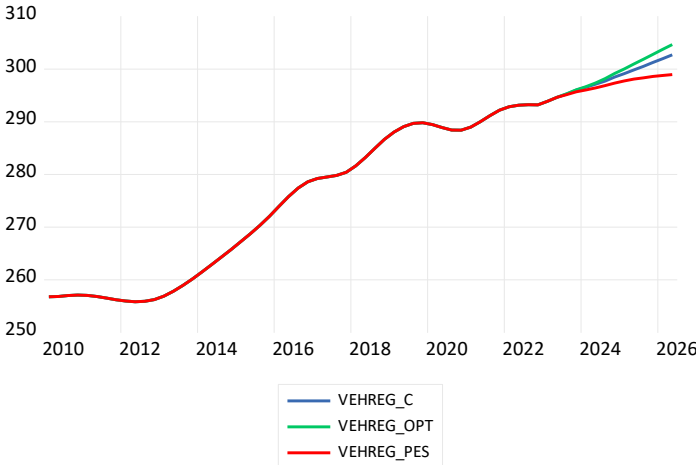
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# Registered Cars and Light Trucks

(Millions of Units, S&P IHS Global)

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## Motor Vehicle License Forecast

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Fiscal Year	Control	Optimistic	Pessimistic
FY 2023	\$126.7 2.5%	\$126.7 2.5%	\$126.7 2.5%
FY 2024	\$129.2 2.0%	\$129.3 2.0%	\$128.9 1.7%
FY 2025	\$131.1 1.5%	\$131.4 1.6%	\$130.6 1.3%
FY 2026	\$133.1 1.5%	\$133.5 1.6%	\$132.3 1.3%

## Investment Forecast

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- Calculated using cash balances and expectations of interest rates
- Provided by DOT and OFM
- FY23 investment income \$6.3M
  - ▣ Prior two years income was negative
  - ▣ Favorable interest rates offset lower cash balances

## Income on Investments Forecast

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	Millions \$	Growth Rate (%)
FY22	-11.0	NA
FY23	6.3	NA
FY24	16.3	158.4
FY25	8.0	-50.9
FY26	6.7	-16.3

## Other Receipts

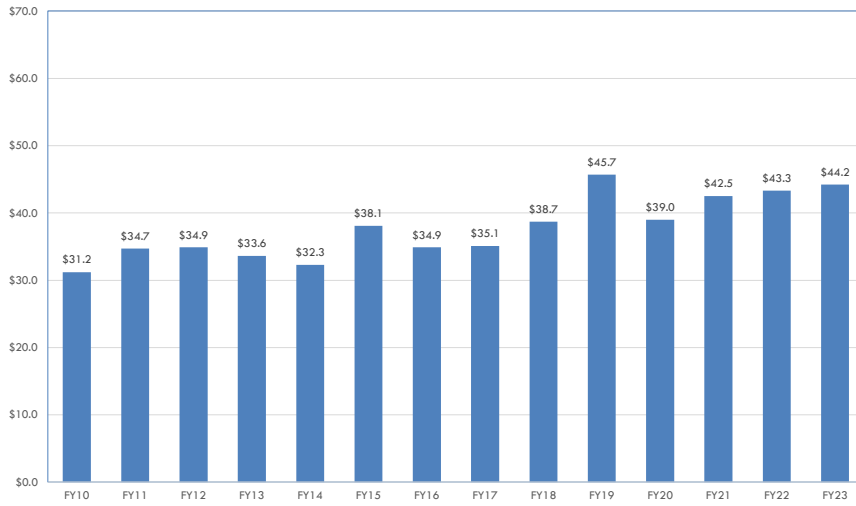
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- Primarily consists of fees and fines
  - ▣ ARIMA
  - ▣ Stable series
  - ▣ Composed of many small accounts
  - ▣ Difficult to choose an appropriate explanatory variable(s)
- Small percentage of total RF, less than 3%

## Other Revenue, FY10-FY23

(Millions \$)

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## Other Forecast

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	Millions \$	Growth Rate(%)
FY23	44.2	2.2
FY24	47.2	6.7
FY25	49.4	4.7
FY26	49.8	0.8

# Road Fund Forecasts, All Scenarios

FY24 – FY26

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Fiscal Year	Control	Optimistic	Pessimistic
FY 2023	\$1,753.3 4.7%	\$1,753.3 4.7%	\$1,753.3 4.7%
FY 2024	\$1,879.8 7.2%	\$1,894.0 8.0%	\$1,868.6 6.6%
FY 2025	\$1,841.1 -2.1%	\$1,861.0 -1.7%	\$1,826.4 -2.3%
FY 2026	\$1,893.2 2.8%	\$1,929.2 3.7%	\$1,908.0 4.5%