

KENTUCKY ROAD FUND

(CONSENSUS FORECASTING GROUP)

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Office of State Budget Director

Summary of Changes to the Forecast

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- Small changes to Control and Optimistic scenarios across all three years compared to September
 - ▣ Declines in fuels
 - ▣ Increases in usage
- Large declines in the Pessimistic scenario for FY25 and FY26 related to the motor fuels tax projections.
- No change to fiscal impacts of legislation
 - ▣ FY24 +\$5.9M
 - ▣ FY25 +\$12.3M
 - ▣ FY26 +\$12.3M

Road Fund Forecasts

Differences From September, Millions \$

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	Control	Optimistic	Pessimistic
FY24	3.8	0.4	3.2
FY25	(5.5)	(3.9)	(36.9)
FY26	9.0	(9.2)	(41.0)

Motor Fuels Forecast

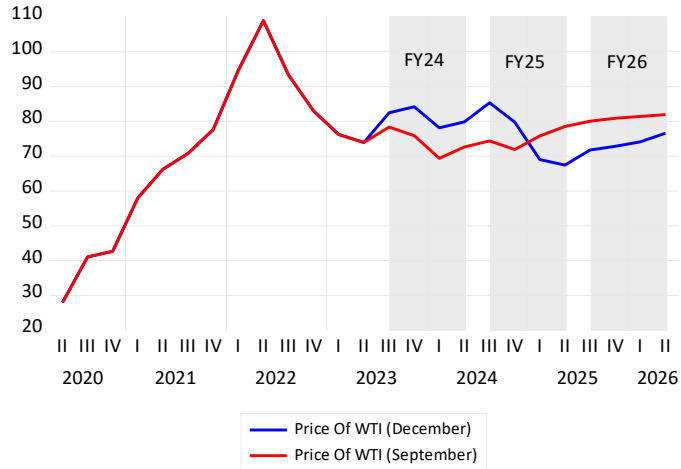
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- Motor fuels estimate is contingent on two factors:
 - Tax Rate
 - Most important determinate of MF revenues
 - \$30M impact for each 1 cent change in the tax rate
 - Not fixed, can change annually
 - Estimated using retail price of gasoline
 - October AWP survey value was lower than estimated in September
 - Consumption of motor fuels
 - Estimated using US motor fuels consumption

Price of Oil (WTI)

(Dollars per Barrel, S&P IHS Global, Control Scenario)

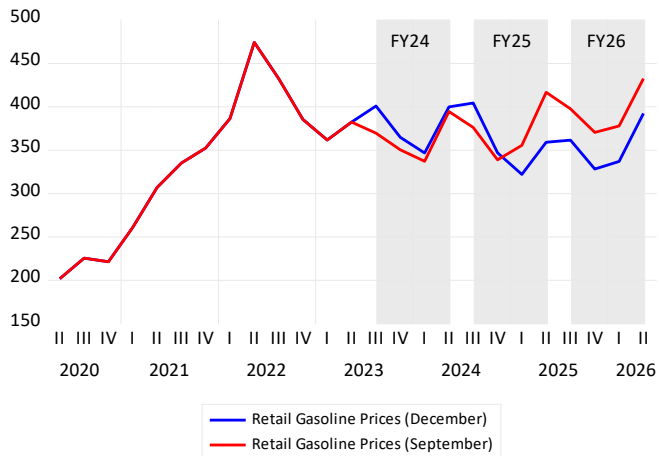
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Retail Price of Gasoline

(Cents per Gallon, S&P IHS Global, Control Scenario)

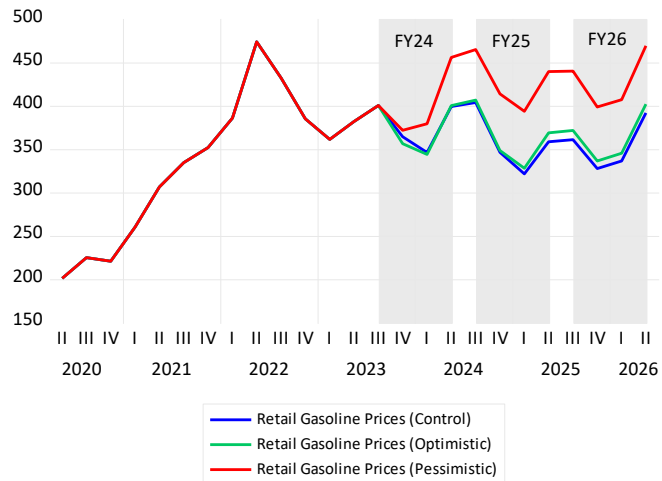
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Retail Price of Gasoline

(Cents per Gallon, All Scenarios, December, S&P IHS Global)

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Motor Fuels Tax Rate

Differences From September, Cents

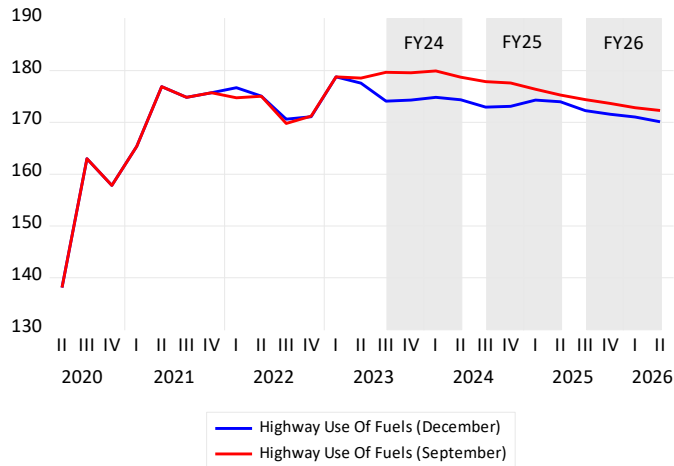
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	Control	Optimistic	Pessimistic
FY24	0.0	0.0	0.0
FY25	(1.1)	(1.0)	(2.1)
FY26	(0.2)	(0.7)	(2.2)

US Motor Fuels Consumption

(Billions of Gallons, S&P IHS Global, Control Scenario)

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Changes in Motor Fuels Estimates

Millions \$

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	Control	Optimistic	Pessimistic
FY24	(0.9)	(1.7)	2.9
FY25	(21.8)	(18.9)	(48.6)
FY26	5.3	(6.9)	(50.4)

Motor Vehicle Usage Forecast

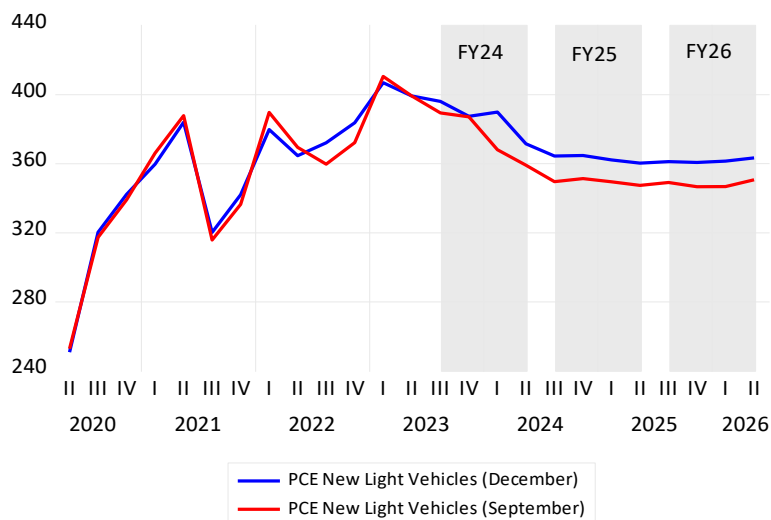
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- Forecasted using US consumer spending on light vehicles
- YTD receipts have grown 4.4% through October
- Needs for the remaining 8 months of FY24 (Control) are 0.5%
 - ▣ But consumer spending on light vehicles is expected to decline over the second half of FY24 and
 - ▣ Receipts grew 5.8% from November to June in FY23
- Legislative impacts:
 - ▣ FY24: +\$3.4M
 - ▣ FY25: +\$8.1M
 - ▣ FY26: +\$8.1M

Consumer Spending on Light Vehicles

(Billions of Dollars, S&P IHS Global, Control Scenario)

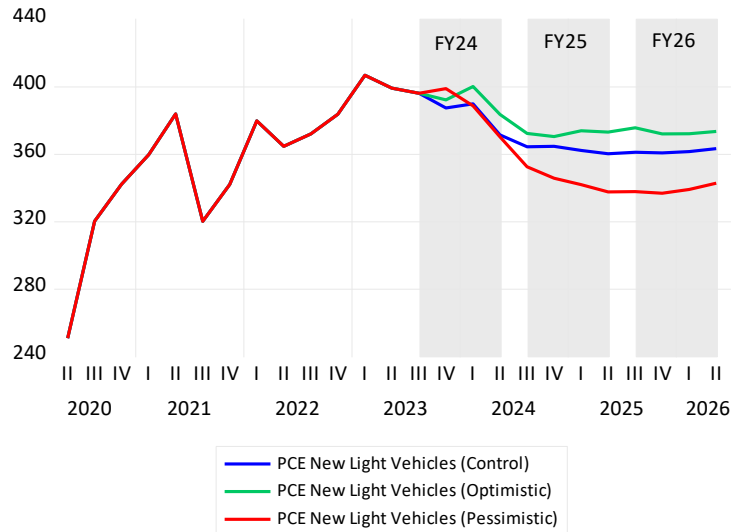
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Consumer Spending on Light Vehicles

(Billions of Dollars, S&P IHS Global)

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Change in Motor Vehicle Usage Estimates

Millions \$

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	Control	Optimistic	Pessimistic
FY24	12.9	10.2	5.2
FY25	18.5	18.6	7.0
FY26	6.4	2.3	4.1

Weight Distance Forecast

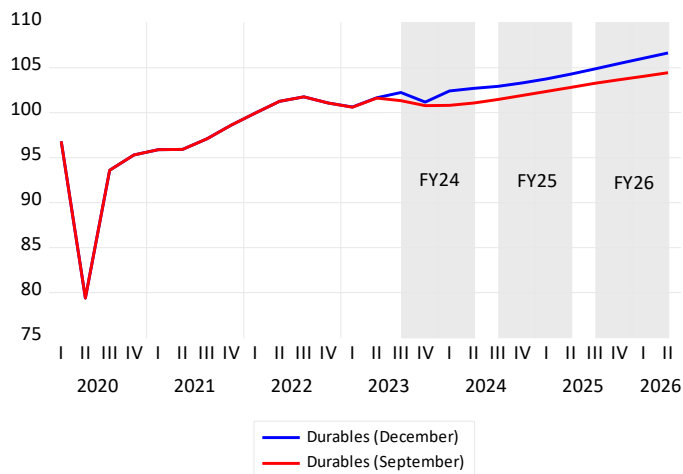
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- Forecasted using an industrial production index of durable goods
- Control and Optimistic forecasts are lower but Pessimistic is higher
 - ▣ The industrial production variable is higher than in September which offsets weaker receipts
 - YTD receipts through August had grown by 0.3%
 - But are down 4.0% through October

Industrial Production Index, Durables

(2017 = 100, S&P IHS Global, Control Scenario)

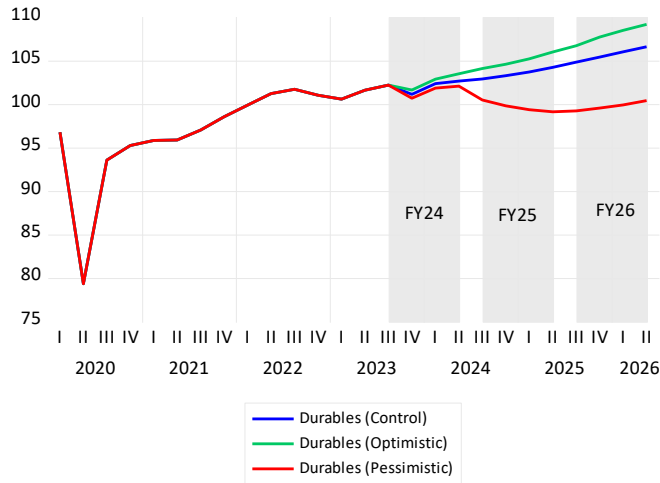
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Industrial Production Index, Durables

(2017 = 100, S&P IHS Global, December)

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Change in Weight Distance Estimates

Millions \$

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	Control	Optimistic	Pessimistic
FY24	(2.0)	(1.8)	1.0
FY25	(1.5)	(2.6)	4.9
FY26	(0.9)	(2.4)	6.3

Motor Vehicle Operators Forecast

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- Estimated using an ARIMA model
 - ▣ One forecast for all scenarios
 - ▣ Stable revenue source
 - ▣ Significant changes in revenue when cost of license changes or special one-time events
 - FY06
 - REAL ID
 - Pandemic

Change in Forecast		
FY24	FY25	FY26
\$1.1M	\$1.5M	\$1.4M

Motor Vehicle License Forecast

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- Estimated using US licensed vehicles
 - ▣ Cars
 - ▣ Light trucks
- Extremely small change to the licensed vehicles forecast
- Forecast change due to receipts
 - ▣ August YTD: 17.3%
 - ▣ October YTD: -6.5%
- Legislative impact is \$700,000 for all years

Investment Forecast

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- Calculated using cash balances and forecasted interest rates
 - ▣ Average cash balances are higher in FY24 and FY25
 - ▣ Lower in FY26
 - ▣ Interest rates are lower in FY24 but higher in FY25 and FY26

Change in Forecast		
FY24	FY25	FY26
-\$4.5M	\$1.5M	-\$0.5M

Other Forecast

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- Forecasted using an ARIMA model
- August YTD Revenue was 11.6%
- October YTD revenue fell to -0.9%
- Legislative impacts:
 - ▣ FY24: \$1.8M
 - ▣ FY25: \$3.5M
 - ▣ FY26: \$3.5M

Change in Forecast		
FY24	FY25	FY26
-\$0.4M	-\$0.7M	-\$0.5M

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	\$1,883.6 7.4%	\$1,894.4 8.0%	\$1,871.8 6.8%
FY 2025	\$1,835.6 -2.5%	\$1,857.1 -2.0%	\$1,789.4 -4.4%
FY 2026	\$1,902.2 3.6%	\$1,920.0 3.4%	\$1,867.0 4.3%