

INTRODUCTORY REMARKS

CONSENSUS FORECASTING GROUP

Office of State Budget Director

GREG HARKENRIDER
SEPTEMBER 16, 2025

Introduction and Updates Since December 2023

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- Today's mission is twofold:
 - ▣ Reach a consensus as required in KRS 48.120 (1) – by September 30th
 - ▣ For the GF and RF, **officially** revise FY26 estimates per KRS 48.115 (2)
- Introduction slides
 - ▣ General Fund and Road Fund results for FY24 and FY25 compared with the official estimates
 - ▣ General Fund historical collections
 - ▣ Statutory changes during the 2024 and 2025 regular sessions
 - ▣ Fiscal impacts of those changes
 - ▣ Summary of individual income tax rate changes since 2022
 - ▣ Modeling strategies given multiple recent tax law changes

FY 24 General Fund Actuals vs Official

(\$ Millions)

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	FY24				
	Actual	% Chg	Estimate	\$ Diff	% Diff
Sales & Use	5,802.6	4.1	5,828.4	-25.8	-0.4
Individual Income	5,807.5	-0.6	5,778.3	29.2	0.5
Corp. Inc. & LLET	1,249.1	2.3	1,277.4	-28.3	-2.2
Property	808.2	4.4	808.6	-0.4	-0.1
Lottery	343.6	2.0	343.6	0.0	0.0
Cigarettes	270.5	-9.6	272.2	-1.7	-0.6
Coal Severance	77.8	-19.4	84.9	-7.1	-8.3
Other	1,212.0	21.4	1,161.2	50.8	4.4
Total	15,571.3	0.8	15,554.5	16.8	0.1

FY 24 Road Fund Actuals vs Official

(\$ Millions)

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	FY24				
	Actual	% Chg	Estimate	\$ Diff	% Diff
Motor Fuels	905.4	13.4	905.1	0.3	0.0
Motor Vehicle Usage	671.0	1.6	672.2	-1.2	-0.2
Motor Vehicle License	119.5	-5.7	126.8	-7.3	-5.7
Motor Vehicle Operator	32.7	9.9	31.2	1.5	4.8
Weight Distance	86.8	-1.1	87.7	-0.9	-1.0
Income on Investments	14.6	131.7	11.8	2.8	23.9
Other	44.5	0.7	46.8	-2.3	-4.8
Road Fund	1,874.6	6.9	1,881.7	-7.1	-0.4

FY 25 General Fund Actuals vs Estimates

(\$ Millions)

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	FY25				
	Actual	% Chg	Estimate	\$ Diff	% Diff
Individual Income	5,319.2	-8.4	5,546.3	-227.1	-4.1
Sales & Use	5,821.3	0.3	6,080.1	-258.8	-4.3
Corp. Inc. & LLET	1,834.5	46.9	1,327.8	506.7	38.2
Property	839.3	3.9	837.2	2.1	0.3
Lottery	350.7	2.1	350.7	0.0	0.0
Cigarettes	243.6	-9.9	249.5	-5.9	-2.4
Coal Severance	56.1	-28.0	65.4	-9.3	-14.3
Other	1,238.6	2.2	1,114.9	123.7	11.1
Total	15,703.2	0.8	15,571.9	131.3	0.8

FY 25 Road Fund Actuals vs Estimates

(\$ Millions)

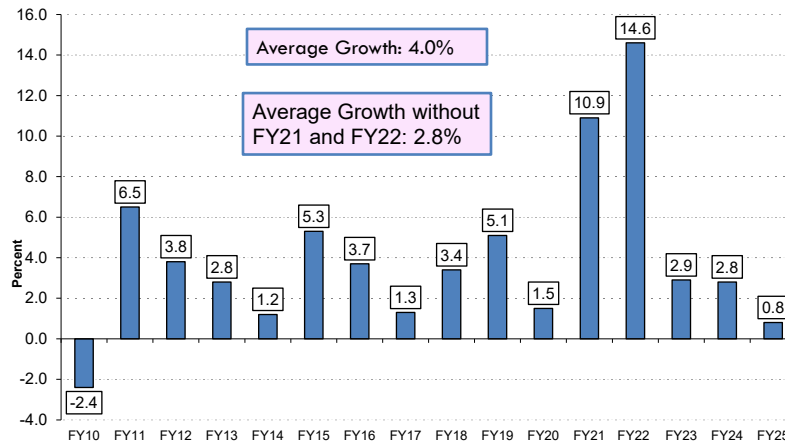
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	FY25				
	Actual	% Chg	Estimate	\$ Diff	% Diff
Motor Fuels	836.4	-7.6	866.8	-30.4	-3.5
Motor Vehicle Usage	719.5	7.2	650.1	69.4	10.7
Motor Vehicle License	117.3	-1.9	128.1	-10.8	-8.4
Motor Vehicle Operator	33.7	3.1	32.0	1.7	5.3
Weight Distance	86.3	-0.6	89.7	-3.4	-3.8
Income on Investments	19.0	29.7	9.5	9.5	99.6
Other	51.4	15.3	48.8	2.6	5.3
Road Fund	1,863.5	-0.6	1,825.0	38.5	2.1

Annual GF Revenue Growth Rates Since FY10

(Percentage Growth)

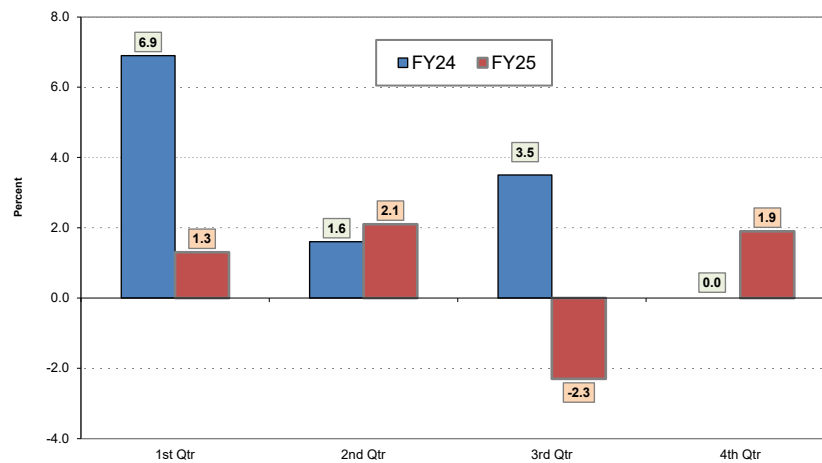
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General Fund Quarterly Growth Rates

FY24 and FY25, Percent Change Y/Y

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Legislative Impacts from 2024

(FY26 scored during session. FY27 and FY28 estimated after the fact for CFG purposes)

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Provision	Tax Affected	Effective Date	Fiscal Impacts to General Fund (\$ millions)		
			FY26	FY27	FY28
Increase de minimis filing threshold from \$6,000 annually to \$12,000	Sales Tax	1/1/2025	(\$2.5)	(\$2.9)	(\$3.4)
Exempt the sale, use, storage, or consumption of currency and bullion	Sales tax	1/1/2025	(\$1.5)	(\$1.8)	(\$1.9)
Redefine "power of appointment" to mean a general power of appointment	Inheritance Tax	1/1/2025	(\$1.0)	(\$1.0)	(\$1.0)
Create a tax credit for the sales and use tax paid on a qualified broadband investment in this state	Income, Corp. Income, LLET	1/1/2025	(\$5.0)	(\$5.0)	(\$5.0)
Update the Internal Revenue Code reference date to December 31, 2023 for income tax purposes	Income, Corp. Income	1/1/2024	\$0	\$0	\$0
Delay the deferred tax deduction until January 1, 2026 (2-year delay)	Corporation Income	1/1/2024	\$48 as scored \$0 for today	(\$44.8)	(\$44.8)
Extend the date for refunds of coal severance taxes related to exported coal	Coal Severance Tax		(\$3.0)	(\$3.0)	(\$3.0)
Total General Fund			(\$13.0)	(\$58.5)	(\$59.1)

Legislative Impacts from 2025

(As originally Scored During the Session)

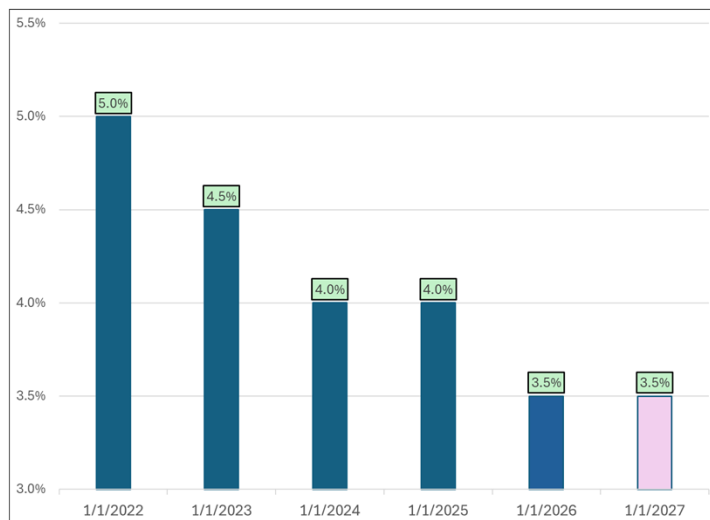
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	Fiscal Impact (\$ mil)	
	FY25	FY26
<u>HB 1</u>		
Rate reduction on Income Tax		(\$359.0)
<u>HB 2</u>		
Tax exemption for bullion, etc.	(\$1.0)	(\$1.5)
<u>HB 775</u>		
Cannabis-infused beverages		\$1.4
Entertainment Events		(\$3.8)
<u>Total 2025 Regular Session</u>	(\$1.0)	(\$362.9)

Individual Income Tax Rate Changes

(Current statutory rates through 1/1/2027)

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Forecasting Methodological Issues

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- There are at least two different ways of addressing tax law changes when preparing a revenue forecast:
 - ▣ Create a policy-neutral dependent variable; or
 - ▣ After a period of time has elapsed, forecast the nominal revenues and assume that the effects of tax law changes have been sufficiently built into the base of the dependent variable
- Each method has strengths and drawbacks.
 - ▣ Policy-neutral dependent variables:
 - Requires fiscal impacts to be known historically and prospectively; but
 - Allows the forecaster to calibrate the effects of policy changes more precisely
 - ▣ Assuming tax law changes are built into the base:
 - Does not require fiscal impacts to be known precisely; and
 - Protects the forecaster from large errors in estimating fiscal impacts; but
 - In an ideal world, forecasters hold “all else equal” when specifying an equation

General Fund Receipts in FY26 through August

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- General Fund declined by 12.7% for July FY26
 - ▣ Sales tax grew 2.5% with collections of \$531.8 million
 - ▣ Individual Income tax grew 14.0%; Withholding up 7.7%
 - ▣ Major Business Taxes fell 80.5% compared to large, non-recurring base in July 2024
- General Fund growth in August was 7.7%
 - ▣ Sales tax grew 5.8%, Year-to-date 4.1%
 - ▣ Individual Income tax increased 13.0%, Year-to-date 13.5%
 - Withholding rose 17.6%, Year-to-date 12.6%
 - Pass-Through Entity Tax (PTET) fell by 12.7 million
 - ▣ Major business taxes increased by \$27.4 million, Year-to-date decline of 73.1%
- Year-to-Date General Fund decline of 3.7%
- The largest two taxes (Individual Income and Sales) showed positive growth in both July and August

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INDIVIDUAL INCOME TAX

(CONSENSUS FORECASTING GROUP)

THOMAS JONES, PH.D.
SEPTEMBER 16, 2025

Office of State Budget Director

Individual Income Tax Receipts History

(\$ millions, nominal)

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FY	PTE	NETR	WITH	DECL	FID	IIT	% chg
FY21		3.3	4,530.2	611.1	-0.8	5,143.8	7.9
FY22		222.2	5,031.1	792.2	2.0	6,047.5	17.6
FY23	0.9	105.5	5,108.7	634.5	-5.7	5,843.9	-3.4
FY24	791.9	-188.1	4,774.7	448.4	-19.5	5,807.5	-0.6
FY25	510.1	-112.2	4,585.6	342.4	-6.7	5,319.2	-8.4
FY25Q1	123.5	-33.8	1,078.4	74.2	-1.2	1,241.0	-17.5
FY25Q2	93.8	-34.3	1,121.3	38.1	-5.9	1,213.0	-8.8
FY25Q3	107.7	-151.6	1,196.3	87.2	-3.0	1,236.6	-8.1
FY25Q4	185.2	107.5	1,189.6	142.9	3.4	1,628.6	0.1

Methodology

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- 1) Generate policy-neutral WITH series.
- 2) Withholding = $f(\text{KY Wages and Salaries})$
 - * Seasonally Adjusted, First Diffs, correct AR
- 3) Forecast series
- 4) subtract taxmod from WITH_hat

Methodology cont.

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PTE:

*Estimate based solely on current year payments

Declarations:

* ARIMA(1,1,2)

* 10% of legislative adjustments

Net Returns:

* simple MA(3)

Fiduciary:

* MA(2); eliminated all FY24 quarters

Kentucky Wages and Salaries

(\$ billions, SAAR)

18

	<u>CON</u>	<u>% chg</u>	<u>PES</u>	<u>% chg</u>	<u>OPT</u>	<u>% chg</u>
FY25	128.5	3.1	128.5	3.1	128.5	3.1
FY26	134.0	4.3	133.9	4.2	134.4	4.5
FY27	139.3	3.9	138.1	3.1	139.9	4.1
FY28	144.6	3.8	141.9	2.8	146.1	4.4

Withholding Forecasts

(\$ millions, nominal)

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	CON	% chg	PES	% chg	OPT	% chg
FY25	4,585.6	-4.0	4,585.6	-4.0	4,585.6	-4.0
FY26	4,575.4	-0.2	4,572.1	-0.3	4,581.6	-0.1
FY27	4,756.8	4.0	4,731.4	3.5	4,768.9	4.1
FY28	4,896.4	2.9	4,840.3	2.3	4,926.3	3.3

Withholding Control

(\$ millions, nominal)

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	WITH	% chg
FY26Q1	1,109.0	2.8
FY26Q2	1,191.5	6.3
FY26Q3	1,169.7	-2.2
FY26Q4	1,105.2	-7.1
FY26	4,575.4	-0.2

Pass-Thru Entity Tax

(\$ millions, nominal)

21

	PTE	% chg
FY25	510.1	-35.6
FY26	381.0	-25.3
FY27	381.0	0.0
FY28	381.0	0.0

Declarations Forecast

(\$ millions, nominal)

22

	DECL	% chg
FY25	342.4	-23.6
FY26	359.6	5.0
FY27	359.2	-0.1
FY28	357.9	-0.4

Net Returns Forecast

(\$ millions, nominal)

23

	NETR	% chg
FY25	-112.2	-40.3
FY26	-64.9	-42.1
FY27	-121.7	87.5
FY28	-99.6	-18.2

Fiduciary Forecast

(\$ millions, nominal)

24

	FID	% chg
FY25	-6.7	-65.3
FY26	-6.2	-7.5
FY27	-6.5	4.0
FY28	-6.4	-1.9

IIT Forecasts

(\$ millions, nominal)

25

	CON	% chg	PES	% chg	OPT	% chg
FY25	5,319.2	-8.4	5,319.2	-8.4	5,319.2	-8.4
FY26	5,244.9	-1.4	5,241.6	-1.5	5,251.1	-1.3
FY27	5,368.8	2.4	5,343.4	1.9	5,380.9	2.5
FY28	5,529.3	3.0	5,473.2	2.4	5,559.2	3.3

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SALES TAX

CONSENSUS FORECASTING GROUP

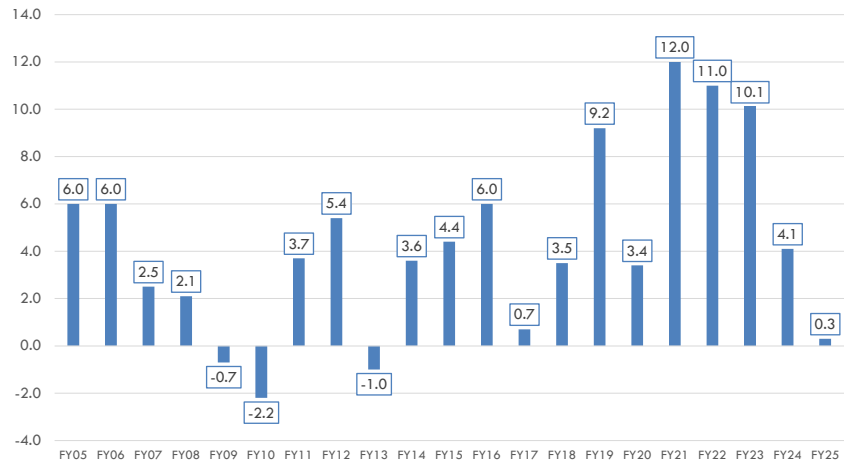
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GREG HARKENRIDER
SEPTEMBER 16, 2025

Sales Tax Growth Rates

(Percentage Change, FY05 through FY25)

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Recent Sales Tax Estimates

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- Overestimated the sales tax at the December 2023 meeting
 - ▣ FY24 actuals only had small differences from official estimates
 - Close in nominal terms (\$-25.8 million, -0.4%)
 - Relatively weak receipts in FY24 Q3 and FY24 Q4
 - ▣ FY25 actual receipts produced a larger difference from official
 - Actual sales tax growth was only 0.3%
 - Actual difference from official was -\$258.8 million (-4.3%)
 - ▣ FY26 blended model at the time called for growth of 3.8%
 - Today's control estimate predicts 2.6% improvement over actual FY25
 - Slower than official growth predicted in all three scenarios, building on a reduced base from FY24 and FY25 overestimations
 - ▣ Analysis of differences stemming from December 2023 official estimates
 - Time series models were in favor following underestimations in FY21 – FY23
 - In hindsight, structural models would have produced more accurate estimates

Model Specifications, Sales Tax

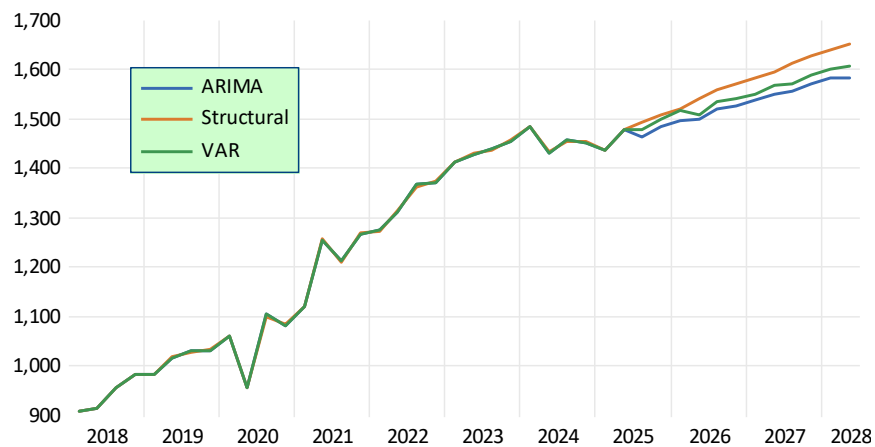
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- Time Series for Estimation: Calendar Quarters 2010q1 to 2025q2
 - Have data back to 1990q1
 - August data were not available
 - Last historical quarter was 2025q2 (FY25q4)
- All models use seasonally-adjusted data
- Arima 3,1,16 {AR (1,3); 1st difference; MA (1,16)}
- VAR (Sales and KY Wages & Salaries; Nominal Retail Sales exogenous)
- Structural Models – 2 models using these variables
 - SRTAFS (Nominal Retail Sales)
 - CPI (Consumer Price Index, all urban consumers)
 - CPIXFAE (Core consumer prices less food and energy)
 - TXPGSL (State and Local Personal Taxes)
 - KYYP (Kentucky Personal Income)

Sales Tax Final Blending Models September 2025

(Control Scenario, Calendar Quarters, Millions \$)

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Notes concerning C-O-P scenarios

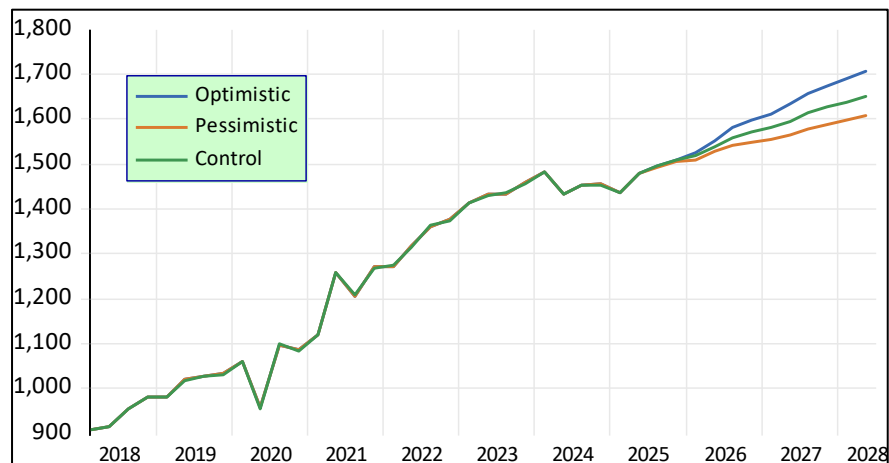
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- When the exogenous variables were plotted earlier, there were tight bands between the C-O-P scenarios.
- Did not use post-model add factors to adjust the scenarios to be more reflective of the best and worst outcomes
- Time series models are somewhat incapable of producing differences between scenarios, so adjusted the weights in OPT and PESS to emphasize upper and lower risk factor
- Optimistic uses double-weighted structural models
- Pessimistic uses double-weighted ARIMA
- Control uses uniform weights

Sales Tax Scenarios September 2025

(Calendar Quarters, Millions \$)

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Sales Tax Projections

(Millions \$)

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Fiscal Year	Control	Optimistic	Pessimistic
FY 2026	\$5,970.9 2.6%	\$5,992.2 2.9%	\$5,944.3 2.1%
FY 2027	\$6,162.3 3.2%	\$6,278.0 4.8%	\$6,063.1 2.0%
FY 2028	\$6,328.2 2.7%	\$6,524.5 3.9%	\$6,169.4 1.8%

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MAJOR BUSINESS TAX FORECAST

(CONSENSUS FORECASTING GROUP)

GENE ZAPARANICK-BROWN

SEPTEMBER 16, 2025

Office of State Budget Director

Major Business Taxes— Actual v. Estimate

Millions of Dollars

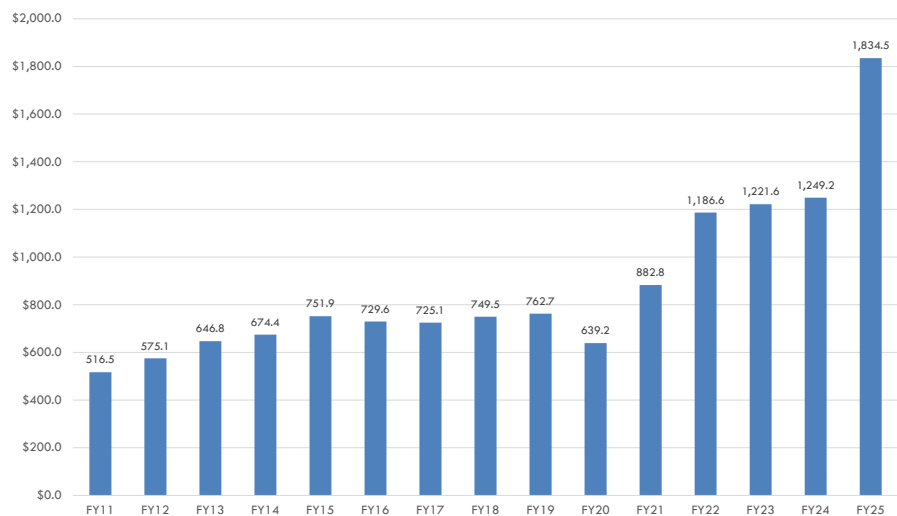
35

	Actual	Estimate	Diff (\$)	Diff (%)
FY24	\$1,249.1	\$1,277.4	-\$28.3	-2.2%
FY25	\$1,834.5	\$1,327.8	\$506.7	38.2%

Major Business Taxes History

(Millions of Dollars)

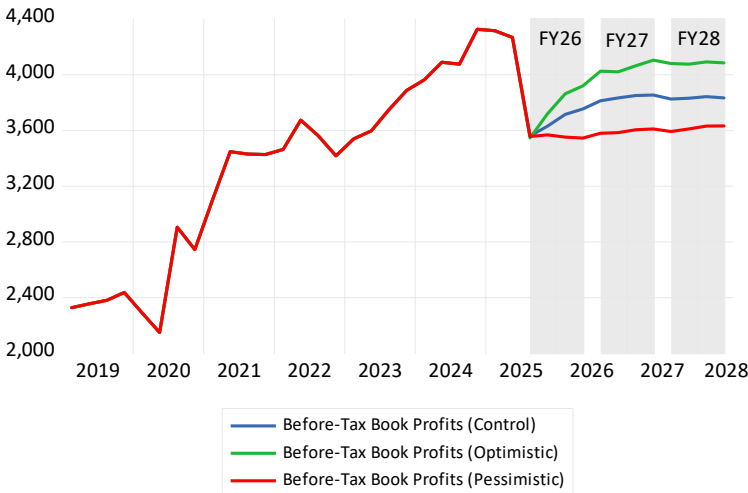
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US Corporate Profits, Before Tax

(Billions \$, S&P Global)

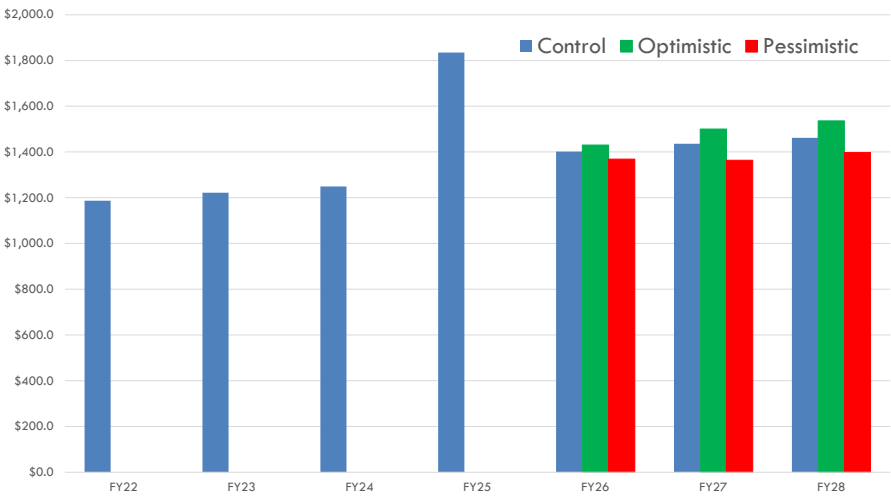
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Major Business Tax Estimates

(Millions of Dollars)

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Major Business Taxes Forecast

(Millions of Dollars)

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Fiscal Year	Control	Optimistic	Pessimistic
FY 2025	\$1,834.5 46.9%	\$1,834.5 46.9%	\$1,834.5 46.9%
FY 2026	\$1,401.6 -23.6%	\$1,430.4 -22.0%	\$1,369.1 -25.4%
FY 2027	\$1,436.2 2.5%	\$1,500.1 4.9%	\$1,364.1 -0.4%
FY 2028	\$1,461.8 1.8%	\$1,536.1 2.4%	\$1,397.7 2.5%

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PROPERTY TAX FORECAST

(CONSENSUS FORECASTING GROUP)

GENE ZAPARANICK-BROWN

SEPTEMBER 16, 2025

Office of State Budget Director

Property Tax— Actual v. Estimate, FY24

(Millions of Dollars)

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	Actual	Estimate	Diff (\$)	Diff (%)
REAL	361.1	351.7	9.4	2.7%
TANGIBLE	136.7	142.8	-5.2	-3.6%
MOTOR VEHICLE	198.4	211.9	-13.5	-6.3%
DELINQUENT	7.0	6.0	1.0	16.6%
OM TANGIBLE	13.8	11.0	2.8	25.5%
PUBLIC SERVICE	86.1	81.8	4.3	5.2%
OTHER	<u>5.0</u>	<u>3.4</u>	<u>0.7</u>	<u>21.3%</u>
TOTAL PROPERTY	808.2	808.6	-0.4	-0.1%

Property Tax— Actual v. Estimate, FY25

(Millions of Dollars)

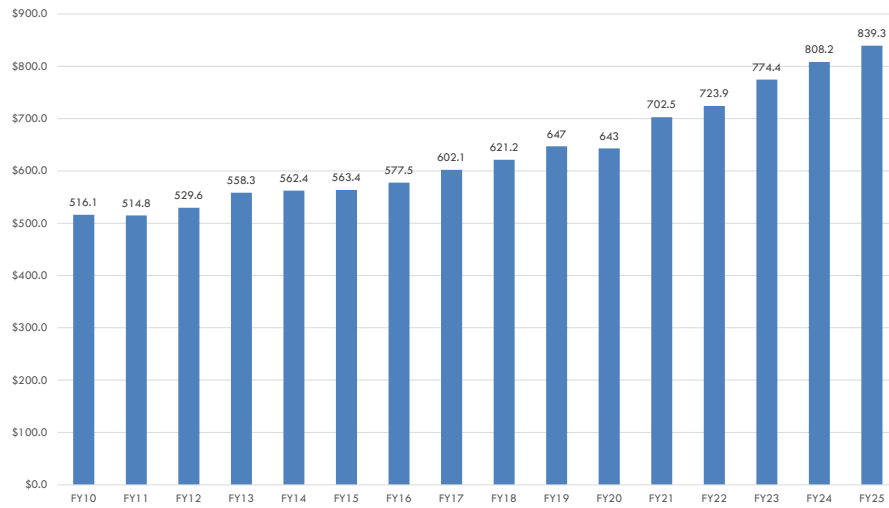
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	Actual	Estimate	Diff (\$)	Diff (%)
REAL	368.5	365.0	3.5	1.0%
TANGIBLE	151.4	144.5	6.9	4.8%
MOTOR VEHICLE	210.4	223.6	-13.2	-5.9%
DELINQUENT	9.9	6.0	3.9	64.2%
OM TANGIBLE	6.6	11.0	-4.4	-39.6%
PUBLIC SERVICE	88.0	83.6	4.4	5.2%
OTHER	<u>4.5</u>	<u>3.5</u>	<u>1.0</u>	<u>29.3%</u>
TOTAL PROPERTY	839.3	837.2	2.1	0.3%

Total Property Tax History

(Millions of Dollars)

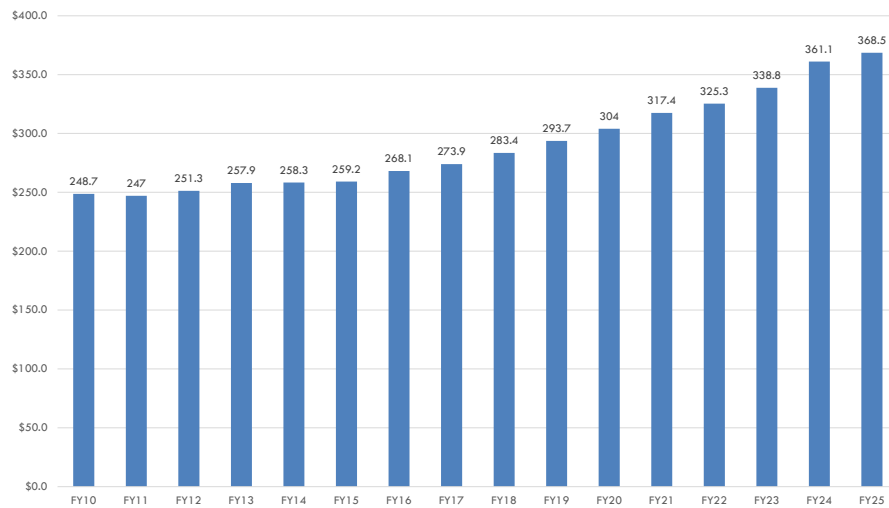
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Real Property Tax History

(Millions of Dollars)

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Real Property Rate Setting Notes

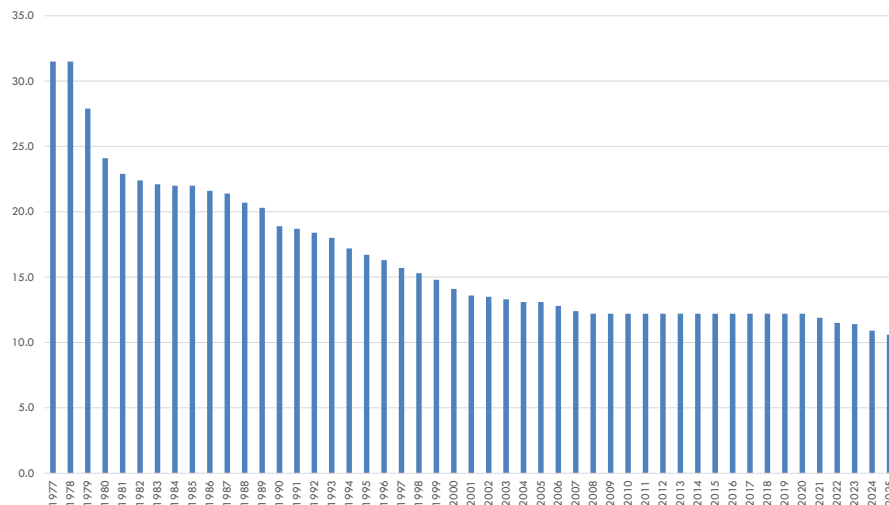
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- The tax rate is set each year to limit revenue growth to 4 percent annually (HB44, 1979)
- If statewide real property assessment growth is more than 4 percent over the prior year, the tax rate is lowered
- New property and TIF projects are excluded from the calculation but are subject to the tax
- After adjusting the rate for assessment growth, if revenue growth on real property still exceeds 4 percent, the tax rate is reduced in the following year to compensate for the amount of revenue collected in excess of 4 percent.
- 2025 Rate is 10.6 cents per \$100 of assessed value

Real Property Tax Rate

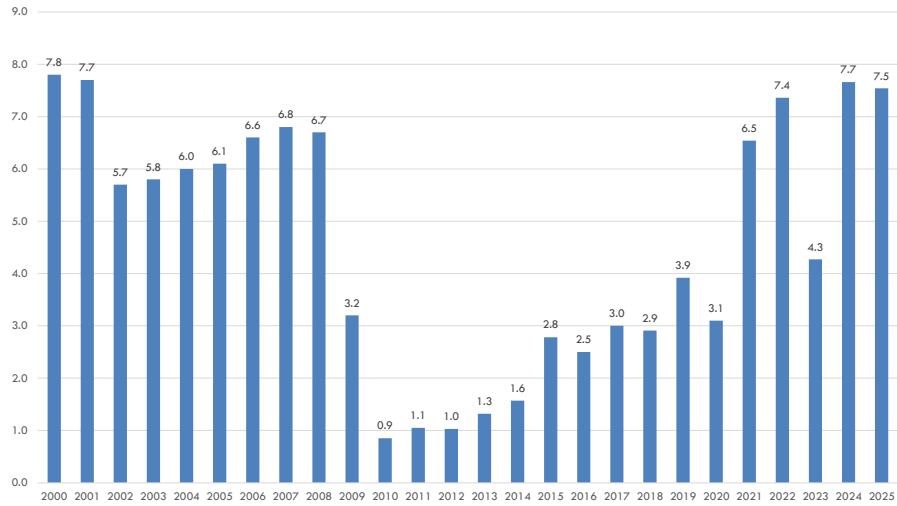
(Cents per \$100 of Assessed Value)

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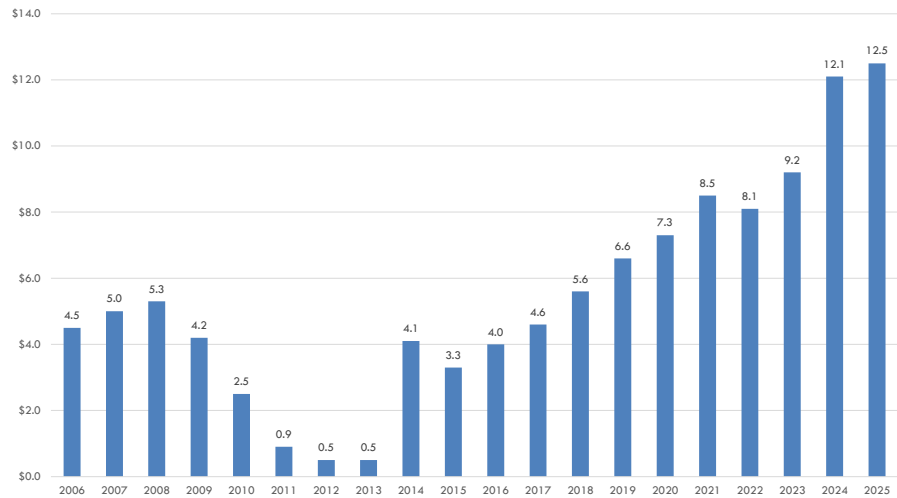
Percent Change in Real Property Tax Assessments

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Assessed Value of New Property and TIF Projects (Billions of Dollars)

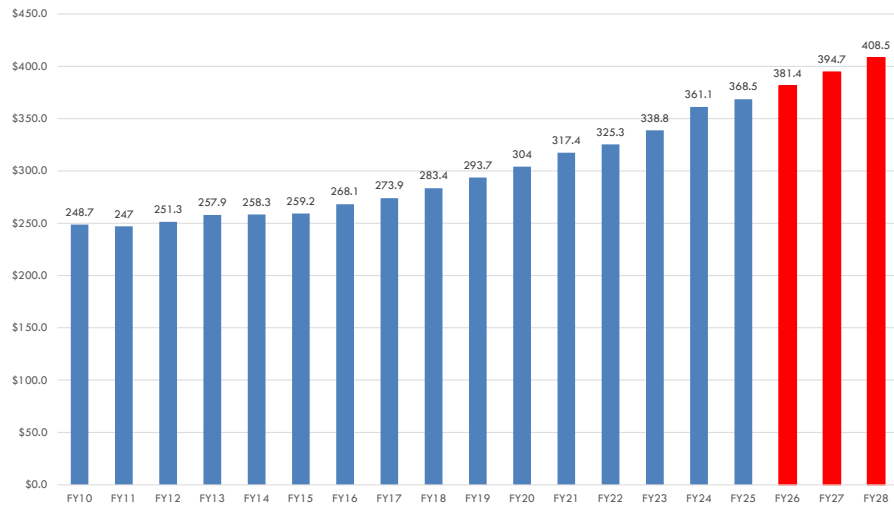
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Real Property Tax History and Forecast

(Millions of Dollars)

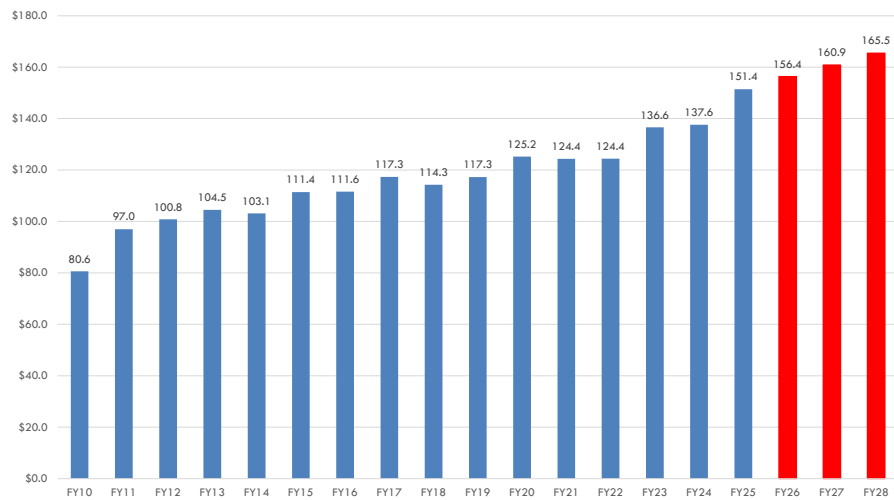
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Tangible Property Tax History and Forecast

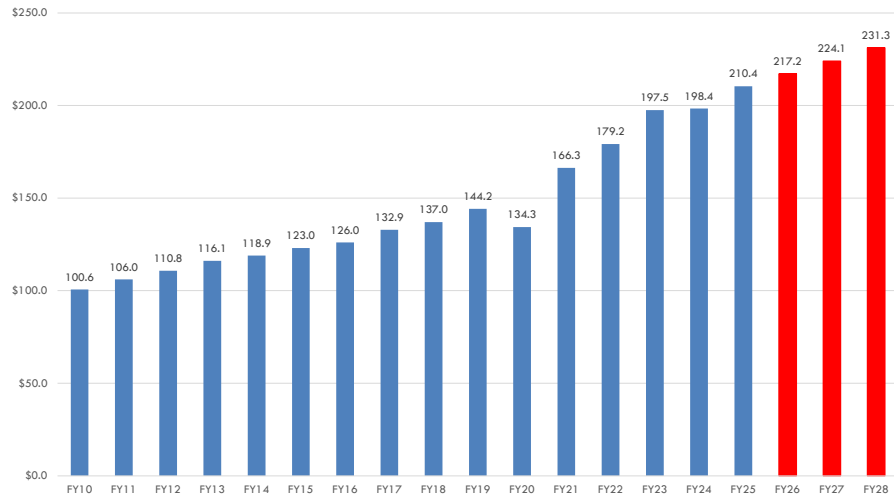
(Millions of Dollars)

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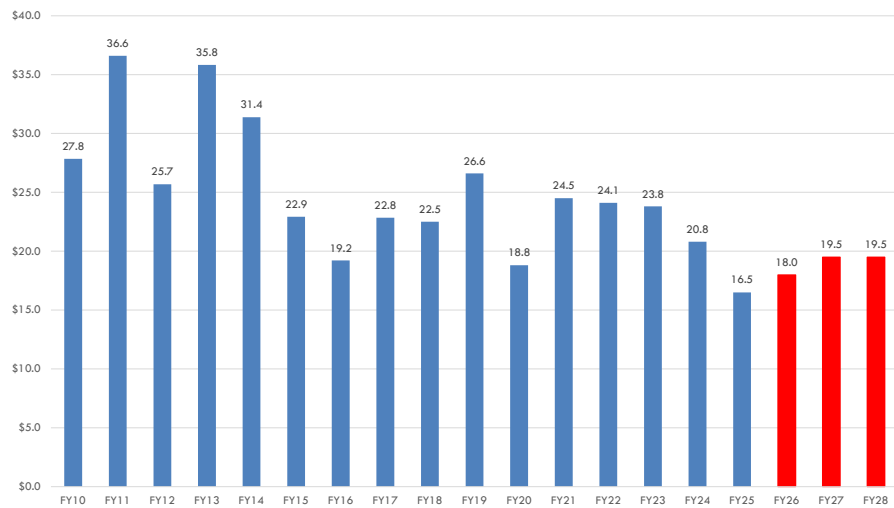
Motor Vehicle Property Tax History and Forecast (Millions of Dollars)

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Omitted & Delinquent Property Tax History and Forecast (Millions of Dollars)

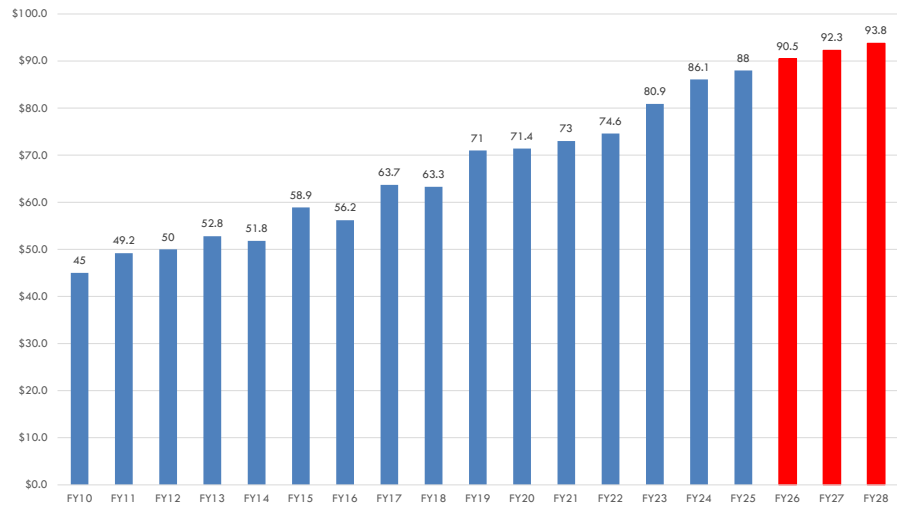
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Public Service Company Tax History and Forecast

(Millions of Dollars)

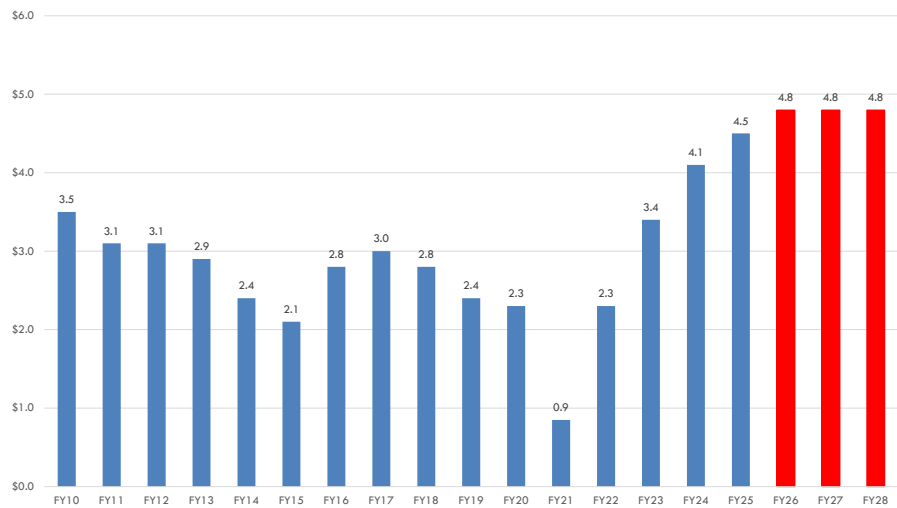
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“Other” Tax History and Forecast

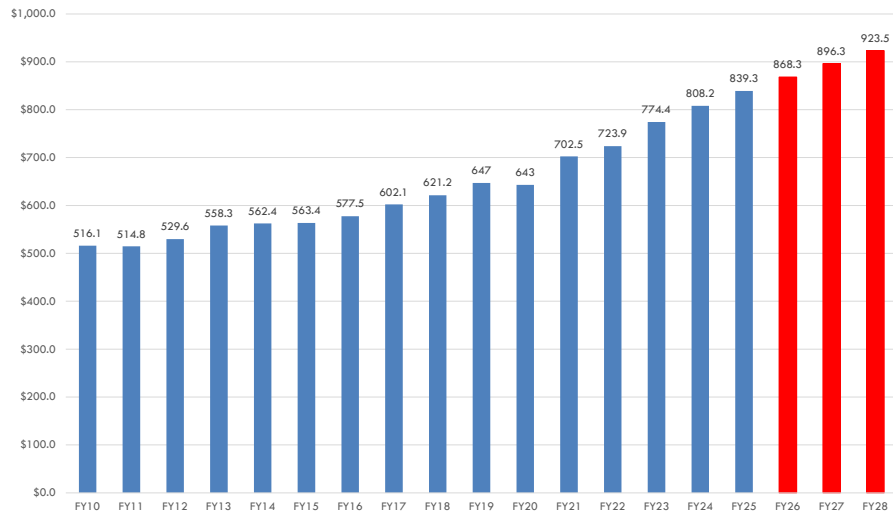
(Millions of Dollars)

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Total Property Tax History and Forecast (Millions of Dollars)

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Property Tax Forecast (Millions of Dollars)

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	FY25		FY26		FY27		FY28	
	Actual	%Chg	Estimate	%Chg	Estimate	%Chg	Estimate	%Chg
REAL	368.5	2.0	381.4	3.5	394.7	3.5	408.5	3.5
TANGIBLE	151.4	10.0	156.4	3.3	160.9	2.9	165.5	2.9
MOTOR VEHICLE	210.4	6.0	217.2	3.2	224.1	3.2	231.3	3.2
DELINQUENT	9.9	40.9	8.0	-18.8	8.5	6.3	8.5	0.0
OMITTED TANGIBLE	6.6	-51.8	10.0	50.5	11.0	10.0	11.0	0.0
PUBLIC SERVICE	88.0	2.2	90.5	2.9	92.3	2.0	93.8	1.6
OTHER	<u>4.5</u>	<u>10.1</u>	<u>4.8</u>	<u>6.7</u>	<u>4.8</u>	<u>0.0</u>	<u>4.8</u>	<u>0.0</u>
TOTAL	839.3	3.9	868.3	3.5	896.3	3.2	923.5	3.0

CIGARETTE TAX

CONSENSUS FORECASTING GROUP

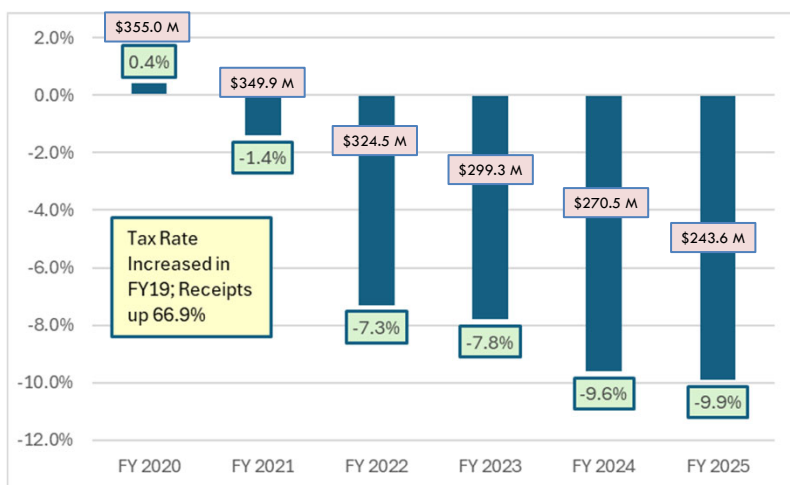
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Recent Declines in Cigarette Taxes

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Cigarette Trends

59

- Higher vendor's compensation of 1.5 cents per pack began in FY23 (Negative 3.4 million estimated fiscal impact)
- Prices are stabilizing somewhat, discounts returning on many cigarette brands
- Not a monthly return, so payments for stamps can be irregular
- Is there a limit to the downward trend?
- Rate of decline is increasing
- Forecast does not call for improvement in this account

Cigarette Tax Forecast

(Millions \$)

60

Fiscal Year	Control
FY 2026	\$223.8 -8.1%
FY 2027	\$204.6 -8.6%
FY 2028	\$186.9 -8.7%

KENTUCKY LOTTERY CONSENSUS FORECASTING GROUP

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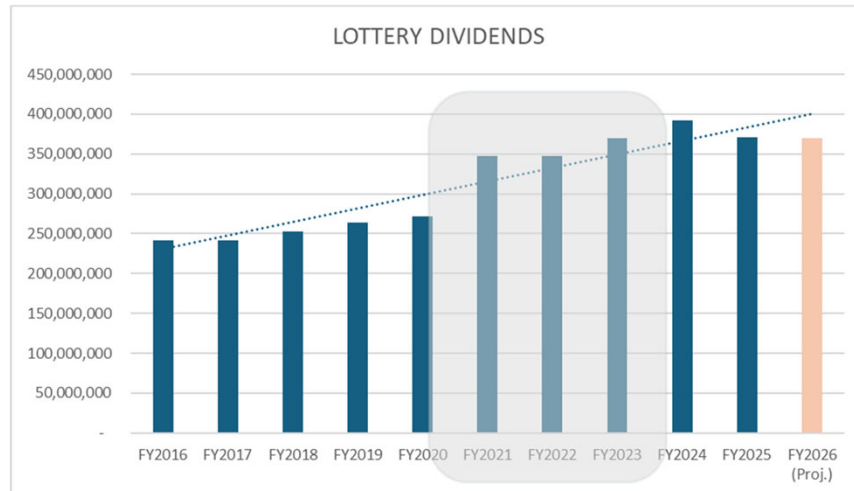
Recent Lottery Trends

62

- FY25 sales total sales were \$2.16 billion
 - Nominal growth of \$58.4 million, or 2.8% more than FY24
 - Continue to innovate in order to bring competitive products to the market
 - Broke the \$2.0 billion sales mark in FY25
- Scratch-off ticket sales were \$914.2 million, down 2.8% from FY24
- Draw games sales were \$443.2 million, down 15.1% from FY24
 - Fewer large jackpots in the multi-state jackpot games
 - Several big jackpots accumulated in FY23 and FY24, elevating the baseline
- iLottery Instant Play sales were \$798.9 million in FY25
 - Up \$164.0 million, or 25.8%, over FY25
 - Higher prize expense on these games – higher percentage payout to players relative to any other lottery product

Total Lottery Dividends

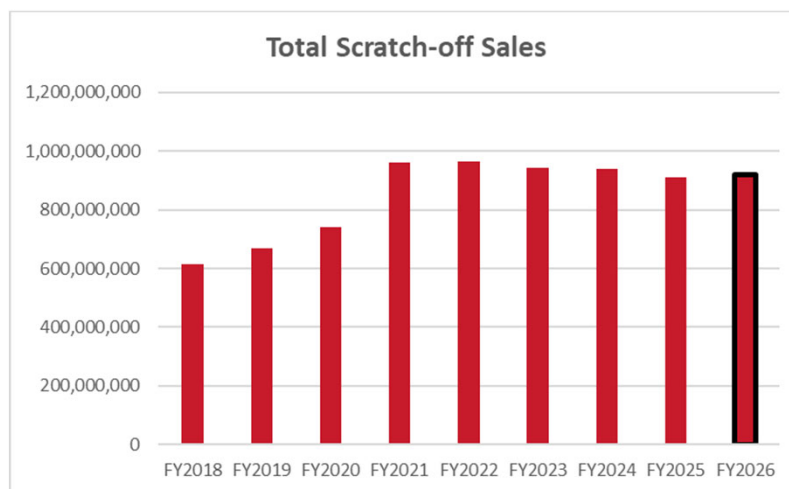
63



Scratch-Off Sales have Flattened

(Since the post-Covid peak in FY21 and FY22, sales have been flat or inching downward)

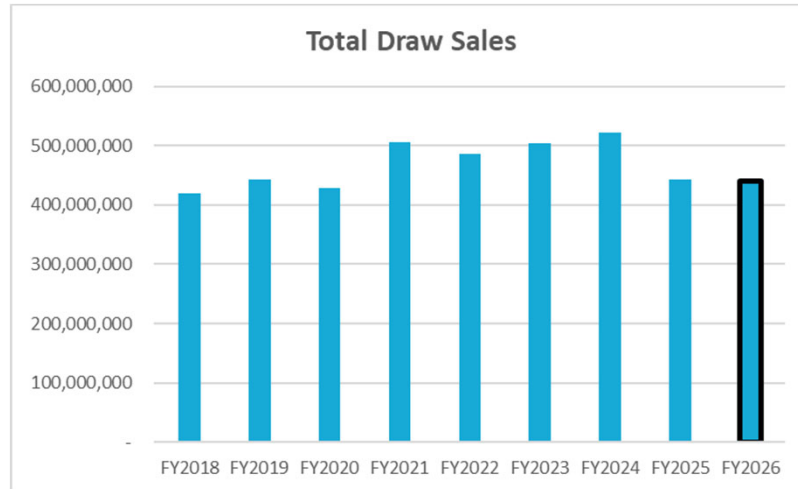
64



Draw Game Sales have Fluctuated

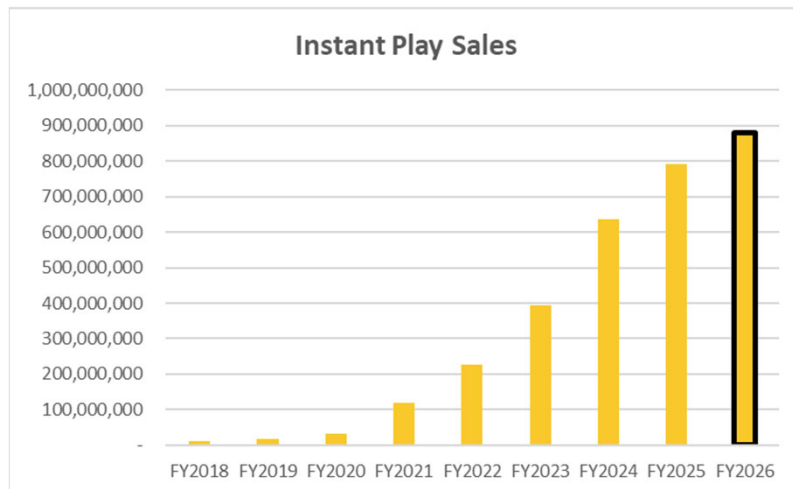
(Since the Covid bump in FY21, sales growth has been irregular and jackpot dependent)

65



The iLottery Instant Play Segment is Driving Total Sales Growth

66



Explanation of Lottery Forecast for FY26

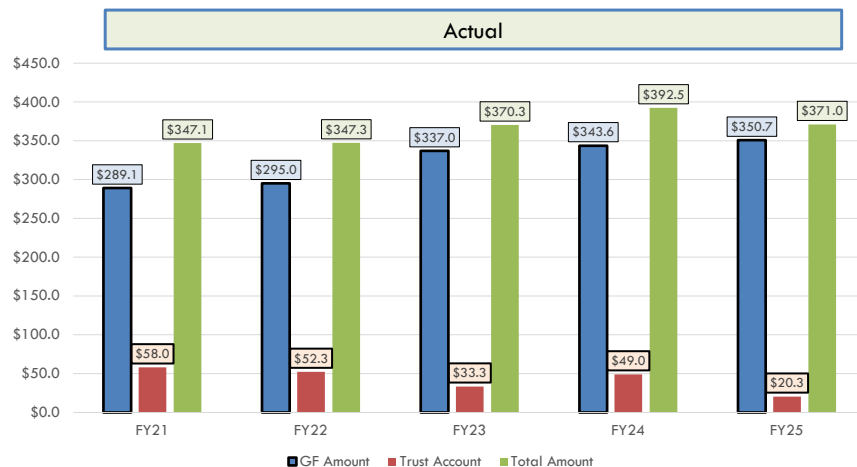
67

- Budget Bill Language (HB6 2024 Regular Session):
 - ▣ If lottery receipts received by the Commonwealth, excluding any unclaimed prize money received, exceed
 - \$370,000,000 in fiscal year 2026;
 - ▣ Then any additional excess shall be transferred to a trust and agency account and shall not be expended or appropriated without the express authority of the General Assembly.

Kentucky Lottery Dividend Payments

(Millions \$)

68

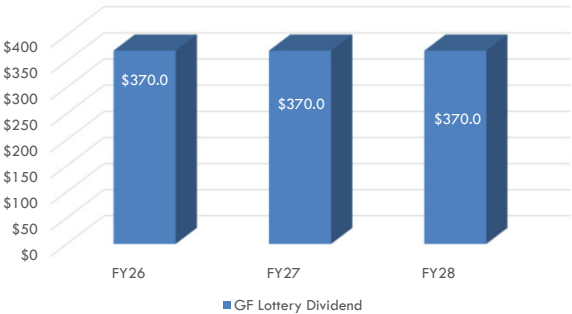


Kentucky General Fund Lottery Forecast

(\$ millions)

69

FY2026	FY2027	FY28
\$370.0	\$370.0	\$370.0



70

MISCELLANEOUS “OTHER” TAXES (CONSENSUS FORECASTING GROUP)

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Other General Fund Revenues

71

- The “Other” category of revenues contains roughly 60 accounts that are not otherwise classified in the major accounts
- Given the recent declines in the coal severance tax, all of the extraction taxes (mineral severance, natural gas severance, oil production, and the coal severance tax) are presented as extraction taxes in the “other” category of revenues.
- Income on investments, insurance premiums taxes, alcohol taxes, extraction taxes, and telecommunication taxes are the five largest ongoing accounts
- Many of these revenue sources are estimated with annual data instead of quarterly data given the irregular collection cycles

Largest Taxes Classified as “Other”

72

	<u>FY24</u>	<u>FY25</u>	<u>Growth</u>
Income on Investments	\$300,188,056	\$322,995,930	7.6%
Insurance Premiums	\$221,184,299	\$239,227,488	8.2%
Alcohol Taxes	\$195,087,025	\$178,755,932	-8.4%
Extraction Taxes	\$115,048,798	\$93,593,346	-18.6%
Telecom Taxes	\$80,709,719	\$79,821,646	-1.1%
Inheritance Taxes	\$75,635,004	\$77,705,686	2.7%
Pari-mutuel	\$65,586,754	\$74,157,769	13.1%
Abandoned Property	\$61,439,095	\$65,815,339	7.1%
Subtotal	\$1,114,878,751	\$1,132,073,136	1.5%
Remaining 55 Accounts	\$97,131,209	\$106,507,971	9.7%

Other General Fund Revenues

73

- Other Revenues exceeded the official estimate in FY24 by \$50.8 million and in FY25 by \$123.7 million
- One revenue source accounted for much of the excess revenue amount in the “other” taxes, especially in FY25
 - ▣ Income on investments (\$300.2 million in FY24, \$323.0 million in FY25)
 - FY24 official estimate was \$289.1 million (Actual was \$11.1 million over the forecast)
 - FY25 official estimate was \$219.0 million (Actual was \$104.0 million over the forecast)
- Other revenue source that outperformed
 - ▣ Insurance premiums (\$221.2 million in FY24, \$239.2 million in FY25)
 - FY24 forecasted amount was \$195.6 million (actual revenue \$25.6 million over the forecast)
 - FY25 forecasted amount was \$201.4 million (actual revenue \$37.8 million over the forecast)

Forecast for Income on Investments

74

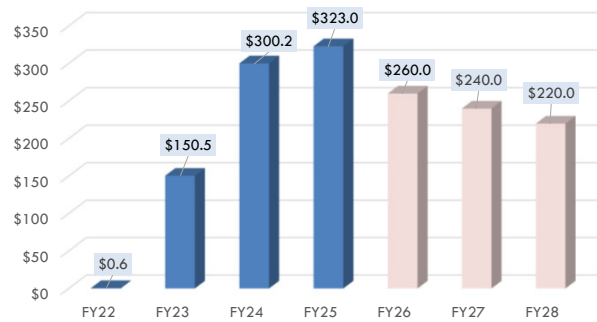
- Income from investments, while not a perennial source of significant income before FY23, recorded receipts of \$323.0 million in FY25
- The dramatic increase on the income on investments stems from prior year surpluses that were deposited into the State’s “Rainy Day Fund”
- That fund is invested in a short-term pool that has benefited from increased interest rate on short-term investment instruments

Income on Investments Forecast

(\$ Millions)

75

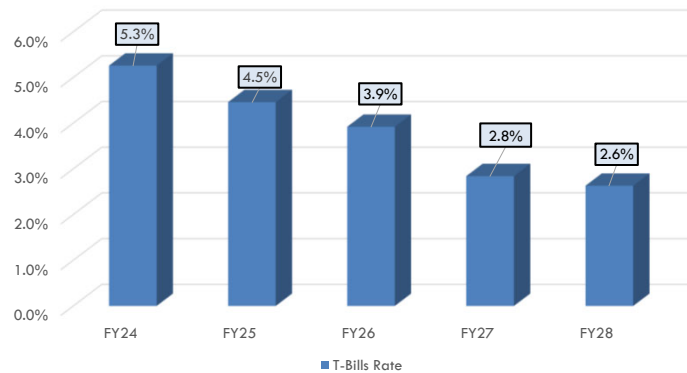
FY26	FY27	FY28
\$260.0	\$240.0	\$220.0



3-Month T-Bills Rate

(S&P Global, Percentage)

76



Methodology

77

Coal Receipts = f(PPI Coal, West Texas Intermediate Price of Oil, Henry Hub Price of Natural Gas, US Real GDP)

* Range: 2000 Q1 to 2025 Q2

* Seasonally-Adjusted Variables

* First Differences

Coal Forecasts

(\$ millions, nominal)

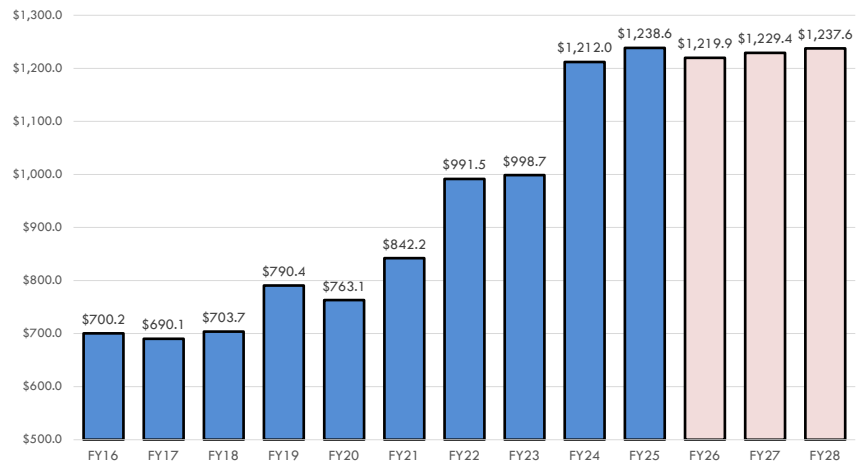
78

	CON % chg		PES % chg		OPT % chg	
FY25	56.1	-28.0	56.1	-28.0	56.1	-28.0
FY26	50.3	-10.3	50.7	-9.5	49.9	-11.0
FY27	38.6	-23.3	40.1	-21.0	37.5	-24.7
FY28	29.6	-23.2	32.3	-19.5	27.7	-26.3

“Other” Receipts Forecast, Control

(Millions \$, Fiscal Years)

79



80

GENERAL FUND REMARKS (CONSENSUS FORECASTING GROUP)

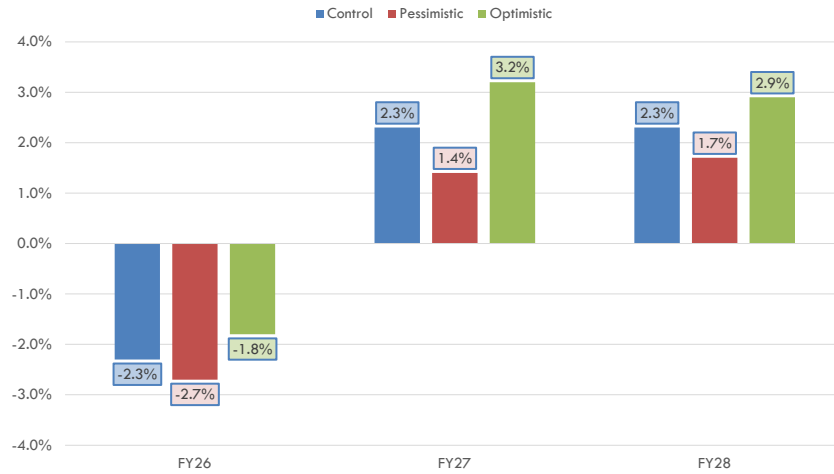
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Percentage Growth, All Scenarios

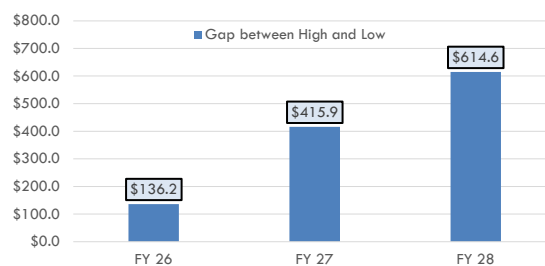
81



Implied Variation Among Scenarios (\$ millions)

82

	Pessimistic	Control	Optimistic
FY26	\$15,276.9	\$15,349.7	\$15,413.1
FY27	\$15,488.9	\$15,706.2	\$15,904.8
FY28	\$15,758.7	\$16,066.9	\$16,373.3



Explanation of the Variation between C-O-P

83

- Taxes with Alternative Scenarios
 - ▣ Individual Income Tax Withholding Component
 - ▣ Sales and Use Tax
 - ▣ Major Business Taxes
 - ▣ “Other” Taxes
- No Alternative Scenarios for the Remaining Revenue Sources
 - ▣ Remaining taxes are not estimated with a structural equation using a forecasted value from either MAK or S&P IHS Global