

Executive Summary

Real gross domestic product (GDP), an inflation-adjusted measure of the total output of goods and services produced in the United States, grew by 1.0 percent in the second quarter of FY03. The economy weakened compared to the first quarter. Consumer spending, which



accounts for two-thirds of real GDP, rose by a mere 0.3 percent in the second quarter. Total investment spending comprises close to a fifth of GDP and is sensitive to both interest rates and future expansion opportunities. Overall, the investment component of GDP rose by 7.5 percent.

Kentucky's personal income is estimated to reach \$105.5 billion in the second quarter of FY03, an increase of 4.0 percent from a year ago. Wages and salaries, a little over half of personal income, are estimated to have grown by 4.3 percent in Kentucky. Nonagricultural employment in Kentucky is estimated to have increased by 18,100 jobs in the second quarter, resulting in growth of 1.0 percent. Leading the way in employment growth were wholesale and retail trade (up 2.0 percent), services (up 3.6 percent) and government (up 1.2 percent).

General Fund revenues for the second quarter of FY03 exhibited moderate

growth over the second quarter of FY02; however this growth resulted from extraordinary events. Receipts in the second quarter totaled \$1,802.0 million compared to \$1,714.6 million received in the second quarter last year. The resulting growth rate was 5.1 percent. Growth was boosted by extraordinary inheritance tax payments in December, as well as the conclusion of the Tax Amnesty program. As usual, variations in the quarterly receipts are affected by differences in the timing of payments into revenue accounts. In the second quarter, property taxes were affected to a degree by these timing differences.

Total sales and use tax receipts for the quarter exhibited growth of 3.0 percent. Individual income taxes rose by 3.4 percent compared to a growth rate of 2.7 percent during the second quarter last year. Corporation income tax receipts rose sharply by 75.3 percent, boosted by higher declaration payments and lower refunds. The coal severance tax fell sharply in the second quarter, declining 10.4 percent from the previous year. Property taxes fell in the second quarter due to timing differences, down 3.5 percent. The lottery declined by 18.4 percent during the second quarter. The "all other" category jumped by 30.2 percent, due to increases in the inheritance tax.

The Road Fund experienced a decline in the second quarter of FY03, down 4.3 percent from the prior year. Receipts totaled \$265.6 million and compare to \$277.7 million during the second quarter of last year. Motor fuels tax receipts rose at a rate of 5.4 percent during the second

quarter. The motor vehicle usage tax was down sharply by 10.0 percent from the second quarter of last year. Weight distance tax receipts grew by 4.0 percent over receipts during the second quarter of FY02. The remainder of the Road Fund accounts combined for a decline of 17.0 percent from a year earlier.

General Fund revenues are anticipated to total \$3,420.8 million in the final two quarters of FY03, yielding a growth rate of 4.2 percent over the same period a year ago. For the entire fiscal year, total General Fund collections are expected to grow 4.6 percent, with total revenues of \$6,862.7 million. In the first quarter of FY04, General Fund revenues are projected to decline by 1.7 percent. The decline reflects the impact of extraordinary sales tax payments and the Tax Amnesty program in the first quarter of FY03.

Sales and use tax receipts are estimated to grow by 2.4 percent in the final two quarters of FY03. The interim forecast for the individual income tax calls for growth for the entire year of 5.0 percent. The outlook for the corporation income tax and corporate license tax combined projects a decrease of 5.1 percent in the final two quarters of FY03.

Overall for this fiscal year, coal severance taxes are projected to fall by 10.3 percent. Property tax receipts for the fiscal year are expected to rise 0.2 percent. For the entire fiscal year, lottery revenues should rise by 1.7 percent from the previous fiscal year. The “all other” category should fall by 4.0 percent in the final two quarters of the fiscal year.

Road Fund revenues are expected to fall by 2.2 percent in the final two quarters of FY03. For the entire fiscal year, revenues should register very little change from the previous year, totaling \$1,121.1 million. The combined total of motor fuels normal, heavy vehicle fuel surtax, and motor fuels normal use tax is estimated to grow by 2.7 percent for the entire fiscal year. Motor vehicle usage taxes are expected to fall slightly by 0.6 percent for FY03.

Based on the latest evaluation, license and privilege taxes are expected to drop by 0.8 percent for the entire FY03. The weight distance tax and surcharge are estimated to grow by 4.0 percent from a year ago. Toll income is estimated fall 3.6 from a year ago. Due primarily to lower balances, investment income should fall by 28.6 percent in FY03. All other Road Fund sources are estimated to rise 0.5 percent from FY02.

**The state's fiscal year, which begins on July 1, will be used as the time frame throughout this report, i.e., the second quarter of FY2003 covers the October-December 2002 period.*

The Economy

NATIONAL ECONOMY

Second Quarter, FY03

The U.S. economy has by all accounts shaken off the recession of 2001 and is on its way to a fitful recovery. During calendar 2002 the economy fluctuated from strong growth to being perilously close to contracting as real output hovered at 1.0 percent and the unemployment rate reached 6.0 percent. Increased business investment and productivity gains aided the expansion.

Real gross domestic product (GDP) is an inflation-adjusted measure of the total output of goods and services produced in the United States. Real GDP is estimated to have increased by just 1.0 percent in the second quarter. The growth in real output has been uneven in recent months. During the January to March 2002 quarter real GDP shot up by 5.0 percent causing consumer confidence to soar and the markets to believe that the recession was well behind us. However, the following quarter real GDP grew by just 1.3 percent. That was followed by a robust 4.0 percent growth in the first quarter of FY03 and then a tepid 1.0 percent growth rate during the second quarter.

Two-thirds of real GDP is comprised of consumption expenditures. Total real consumption increased by just 0.3 percent in the second quarter, compared to 6.0 percent a year ago. Typically a slowdown emanating from the decline in consumer confidence is felt most strongly in the consumption of durable goods. The second quarter was no exception to this rule with the demand for durable goods declining by

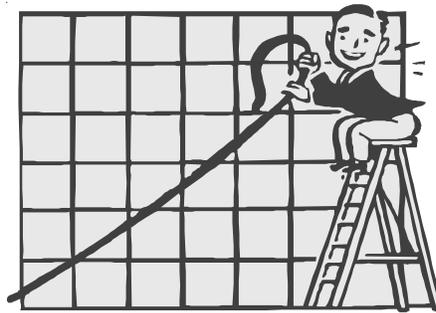
13.2 percent compared to a growth of 22.8 percent in the first quarter.

In contrast to the sagging consumption of durables, the consumption of nondurable goods was up a healthy 2.3 percent. Staples such as food and beverages registered a decline, but clothing and gasoline consumption increased. Services constitute a little over one-half of all consumption and about 35 percent of total

GDP. The consumption of services increased by a steady 2.3 percent during the second quarter. Much of the increase came from the area of personal and business services.

Investment spending appears to be the light at

the end of the recession tunnel. Total investment comprises almost a fifth of real GDP and is usually sensitive to both interest rates and future expansion opportunities. The investment component of GDP increased by a robust 7.5 percent during the second quarter. This marks the fourth consecutive quarter of growth in investment, after a six-quarter decline that began in July 2000.



The Governor's Office for Economic Analysis monitors industrial production because it is a measure of the output of heavy industries like mining and manufacturing. These industries continue to play a vital role in Kentucky's economy. Industrial production is a raw measure of output, comprised of only final products. The industrial production index fell 3.4 percent during the second quarter. This was the first drop in industrial production after three quarters of expansion. Among the factors that depressed industrial production were overcapacity in production facilities abroad and the strong dollar. Both these fueled imports at the expense of domestic production. For the first time since 1983 factory capacity utilization dipped to 73 percent.

Personal income, which is a measure of spending power, totalled \$9,077.1 billion in the second quarter, for an annualized increase of 3.8 percent over the previous quarter. With consumers reluctant to spend, the savings rate increased to 4.4 percent, as real disposable income grew faster than consumption.

Inflation was kept in check even as energy prices climbed. Only the rise in energy prices prevented the second quarter from registering deflation similar to the 0.3 percent decline in prices a year ago. The unemployment rate continued to rise and is estimated to have averaged 6.0 percent during the second quarter.

STATE ECONOMY

The dismal performance of the national economy during the second quarter was not echoed in Kentucky. The second quarter was far from stellar, but key measures like

employment and income firmed up indicating that Kentucky is on a slow but steady path of recovery.

Personal income is the broadest measure of a state's economic performance. Kentucky's personal income is estimated to be \$105.5 billion in the second quarter of FY03, an increase of 4.0 percent from a year ago. Wages and salaries constitute a little over half of personal income. Income derived from wages and salaries is estimated to have grown by 4.3 percent in FY03:2, compared to 3.4 percent nationally. Kentucky's higher growth in wage and salary income is due to the continuing expansion of the employment base, and the slower erosion of the traditionally high-wage manufacturing sector. Other sources of personal income, namely dividends, interests, and rent as well as proprietors' income, grew more slowly in Kentucky than in the national economy.

Employment data is commonly used to gauge the strength of the state's economy, primarily because of its timely availability and its impact on consumer spending and confidence. Kentucky gained approximately 18,100 jobs during the second quarter compared to a year ago. This growth of 1.0 percent is in sharp contrast with the decline of 0.2 percent in U.S. employment.

Manufacturing jobs in Kentucky have been the hardest hit by the recession. During the second quarter manufacturing employment dropped by 1.5 percent resulting in a loss of 4,600 jobs. However, just a year ago manufacturing employment slid rapidly resulting in the loss of over 20,000 jobs. Nationally,

manufacturing employment contracted by 3.6 percent during the October to December 2002 period. Among the large industries in Kentucky, the hardest hit were electronic and electrical equipment (down 3,300 jobs) and textile and apparel (with a loss of 1,100 jobs). The automotive sector posted a loss of 700 jobs. Even though automobile sales were brisk, production had slowed down to keep inventories at a manageable level. Many of Kentucky's ancillary equipment manufacturers provide parts to such beleaguered companies as Daimler-Chrysler and General Motors.

A little over one-fourth of Kentucky's nonagricultural jobs are in the services sector. This sector also had the highest

numerical as well as percentage increase with a gain 17,600 jobs for an increase of 3.6 percent. Most of the growth came from the area of health services (up 7,500) and business services with the addition of 5,000 jobs from a year ago. The business service category is dominated by temporary employment services. The strong growth in this sector may stem from the reluctance of businesses to hire permanent employees until the economic recovery has firmed-up.

Transportation, communication, and public utilities posted a loss of 2,000 jobs during the second quarter. Most of the loss (1,900 jobs) was in the area of air transportation that has been affected by the spate of bankruptcy filings and the contraction of the industry that began in early 2001.

*** Data for second quarter FY03 U.S. economic activity are derived from estimates made by Global Insight, January 2003.*

Table 1
National Economic Indicators
Second Quarter, FY2003

	FY02:2	FY03:1	FY03:2*	SAAR** FY02:2 to FY03:2	FY02:2 to FY03:2 Percent Change
Real GDP (billion 1996 \$)	9,248.8	9,485.6	9,509.4	1.0	2.8
Personal Income (billion \$)	8,700.9	8,993.3	9,077.1	3.8	4.3
Real Disposable Income (billion 1987 \$)	6,729.2	7,081.5	7,120.5	2.2	5.8
Consumer Price Index (annual percent change)	-0.3	1.9	2.3	-	-
Industrial Production (annual percent change)	-6.7	3.5	-3.4	-	-
Civilian Labor Force (millions)	145.2	145.7	145.9	0.5	0.4
Total Nonagricultural Employment (millions)	131.1	130.8	130.9	0.2	-0.2
Manufacturing Employment (millions)	17.2	16.7	16.6	-3.1	-3.6
Unemployment Rate (percent)	5.6	5.7	6.0	-	-

Sources: Global Insight, Inc., and U.S. Dept. of Commerce, Bureau of Economic Analysis.

* Data for FY03:2 are January 2003 estimates and cover the period October to December 2002.

** Seasonally adjusted annual percent growth rate.

Table 2
Selected Kentucky Economic Indicators
Seasonally Adjusted Data

	FY02:2	FY03:2	Change	Percent Change
Total Personal Income (\$ millions)	101,417	105,514	4,097	4.0
Wage & Salary Income (\$ millions)	55,823	58,219	2,396	4.3
Total Nonagricultural Employment (thousands)	1,816.8	1,834.9	18.1	1.0
Mining	20.7	19.0	-1.8	-8.5
Construction	88.5	89.1	0.5	0.6
Manufacturing	300.4	295.8	-4.6	-1.5
Trans., Communication, & Public Utilities	107.0	105.0	-2.0	-1.9
Trade	425.1	433.6	8.6	2.0
Finance, Insurance, and Real Estate	76.1	72.1	-4.0	-5.2
Services	487.3	504.8	17.6	3.6
Government	311.8	315.6	3.8	1.2

Source: U.S. Department of Commerce, Bureau of Economic Analysis.
 GOEA's Macromodel of Kentucky Forecast, January 2003.

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Revenue Receipts

SECOND QUARTER, FY2003

General Fund

The second quarter of FY03 continued a moderate growth pattern that began with the first quarter of this fiscal year. Once again, the receipts have been influenced by a Tax Amnesty program that concluded on September 30, 2002 but continued to have a significant influence on receipts well into this quarter. Receipts in the second quarter totaled \$1,802.0 million compared to \$1,714.6 million received in the second quarter of FY02. The resulting growth rate was 5.1 percent, and compares to a growth rate of 2.1 percent for the same quarter last year. Collections in the major revenue categories are shown in summary form in Table 3. Detailed information on these and other accounts is available in the Appendix.

Variations in the quarterly receipts are often affected by differences in the timing of payments into revenue accounts. While timing differences were not as prevalent as in the past, property tax receipts continue to record fluctuations because of these differences.

Total sales and use tax receipts for the quarter were \$598.9 million, compared to \$581.6 million in the second quarter of FY02. The result is a growth rate of 3.0 percent, which is bolstered by tax amnesty receipts. The growth rate for sales and use tax receipts

continues a tepid trend begun last year, and is significantly below the growth trends of the last several years.

Individual income tax posted receipts of \$682.7 million, compared to last year's second-quarter receipts of \$659.9 million. The resulting growth rate was a modest 3.4 percent, and compares to a growth rate of 2.7 percent for the second quarter of last year.

Type Tax	FY03	FY02	Percent Change
Sales and Use	598.9	581.6	3.0
Individual Income	682.7	659.9	3.4
Corporation Income	84.4	48.2	75.3
Coal Severance	36.9	41.2	-10.4
Property	219.3	227.3	-3.5
Lottery	40.0	49.0	-18.4
All Other	<u>139.8</u>	<u>107.4</u>	<u>30.2</u>
TOTAL	\$1,802.0	\$1,714.6	5.1%

Corporation income tax receipts increased dramatically in the second quarter of the fiscal year. Revenues of \$84.4 million were 75.3 percent higher than year-earlier figures of \$48.2 million. This increase was influenced significantly by tax amnesty receipts, by increased declaration payments, and by a decrease in corporate refunds paid.

Second-quarter property tax receipts were 3.5 percent lower than the second quarter of FY02. FY03 second-quarter receipts of \$219.3 million compare with \$227.3 million from the second quarter of FY02. This decrease is primarily the result of a timing difference, with payments coming in a little slower than last year.

Coal severance tax continued to decline in the second quarter, with revenues down by 10.4 percent. Collections of \$36.9 million compare to the FY02 second-quarter total of \$41.2 million. This decline appears to be a return to the slow but steady decline that existed before the gains of FY02.

Lottery receipts were \$40.0 million, down 18.4 percent from last year's second-quarter total of \$49.0 million. This decline is attributable to greater than normal sales in FY02, including a very large PowerBall jackpot.

The "all other" category, which represents the remaining accounts of the General Fund, showed significant growth, posting a 30.2 percent increase in the second quarter. Second-quarter receipts for FY03 were \$139.8 million and compare to \$107.4 million in FY02. The largest source that contributed

to this increase is the inheritance tax, which posted a \$23.4 million increase over the second quarter of the prior fiscal year.

Road Fund

The Road Fund reported a decrease of 4.3 percent in the second quarter of FY03, after significant growth in the first quarter of FY03. Receipts totaled \$265.6 million and compare to \$277.7 million in the second quarter of last year. Summary data are contained in Table 4 and detailed data are shown in the Appendix.

Motor fuels tax receipts increased 5.4 percent during the second quarter. Receipts were \$110.6 million and compare to \$104.9 million collected during the second quarter of last year.

Motor vehicle usage tax declined significantly in the second quarter, with receipts down by 10.0 percent. Receipts during the second quarter of FY03 totaled \$99.1 million and compare to \$110.2 million collected during the same period last year.

Weight distance tax receipts of \$19.7 million represent a 4.0 percent increase over receipts of \$19.0 million during the second quarter of FY02.



The remainder of the accounts in the Road Fund combined for a decrease of 17.0 percent from a year earlier. In the “all other” category, revenues of \$36.2 million compare to \$43.6

million in the second quarter of FY02. The account with the most significant decrease was the investment income account, with a decline of \$5.0 million from the second quarter of FY02.

Table 4			
Summary Road Fund Receipts			
Second Quarter, FY2003			
(Millions of Dollars)			
<u>Type Tax</u>	<u>FY03</u>	<u>FY02</u>	<u>Percent Change</u>
Motor Fuels	110.6	104.9	5.4
Motor Vehicle Usage	99.1	110.2	-10.0
Weight Distance	19.7	19.0	4.0
All Other	<u>36.2</u>	<u>43.6</u>	<u>-17.0</u>
TOTAL	\$265.6	\$277.7	-4.3%

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Revenue Outlook

REVENUE OUTLOOK: Interim Forecast

General Fund

Projected General Fund revenues for the next three quarters are shown in Table 5. General Fund revenues are anticipated to total \$3,420.8 million in the final two quarters of FY03, yielding a growth rate of 4.2 percent over the same period a year ago. For the entire fiscal year, total General Fund collections are expected to grow 4.6 percent, with total revenues of \$6,862.7 million. In the initial quarter of FY04, General Fund revenues should decline by 1.7 percent, since the amnesty and special sales tax payments received in the first quarter of FY03 are not anticipated to recur.

Sales and use tax receipts are estimated to grow by 2.4 percent in the final two quarters of FY03. Year-to-date growth in sales and use tax revenue has been boosted by one-time payments and the tax amnesty program to reach 6.4 percent. Expectations are for this tax to slow considerably in the final two quarters of FY03 as it returns to normal economic growth. In the first quarter of FY04, the sales and use tax will decline by 3.1 percent for the reasons stated above.

The interim forecast for the individual income tax calls for growth in the remaining two quarters to rise to 9.1 percent. Growth in the first quarter was 0.8 percent. As a result, revenues for the fiscal year should total \$2,836.8 million, a growth rate for the entire year of 5.0

percent. In the first quarter of FY04, individual income tax revenue is expected to rise by 4.1 percent.

The outlook for corporation income and license taxes projects a decline of 5.1 percent in the final two quarters of FY03. In the first two quarters, these two revenue sources rose by 50.1 percent. An increase in refunds being issued, as well as the conclusion of the amnesty program that boosted revenues, should lead to moderate declines for the remainder of the fiscal year. For the entire fiscal year, revenues should rise by 20.0 percent. Corporation income and license taxes should continue

to fall in the first quarter of FY04, by a combined rate of 7.9 percent.

Coal severance tax revenue has fallen in the first half of FY03 as the coal industry responded to declining demand. For the

remaining two quarters of the fiscal year, coal severance tax receipts should fall by 8.2 percent. Overall for the fiscal year, revenues should decline by 10.3 percent for a total of \$143.7 million. The decline in coal severance tax revenues should extend into the first quarter of FY04, when receipts are projected to fall by 2.2 percent.

Property taxes were on schedule in the first half of FY03. Following the increase of 0.1



percent, revenues for the remainder of the fiscal year are expected to rise by only 0.3 percent, leading to overall revenue growth for FY03 of 0.2 percent, and revenues of \$433.8 million. Due to the loss of amnesty monies, property tax receipts in the first quarter of FY04 should decline by 14.9 percent.

Lottery revenues for the remaining two quarters of FY03 are projected to rise by 13.5 percent. This increase represents a windfall from a large Powerball jackpot that led to greater revenues. Total lottery revenues for the entire fiscal year should be \$171.9 million, an increase of 1.7 percent from the previous fiscal year. Due to the institution of a Tennessee lottery, receipts from this source are projected to decline by 1.1 percent in the first quarter of FY04.

Revenues in the "other" category should decline by 4.0 percent for the remainder of the fiscal year. Total revenues should therefore equal \$485.1 million. Due to continuing expected losses in the inheritance tax, this category should decline by 18.9 percent in the first quarter of FY04.

Road Fund

The Road Fund in the first two quarters of FY03 rose by 2.8 percent. The projection for the remaining two fiscal quarters is for a decline of 2.2 percent. The final two quarters of FY02 experienced rapid growth in receipts as auto sales led to increases in

the motor vehicle usage tax, and stable gasoline prices boosted the gasoline tax. The levels of automobile and motor fuel purchases are not expected to continue. For the entire fiscal year, the Road Fund should be up a scant 0.2 percent, with a total of \$1,121.1 million. In the first quarter of FY04, revenues are expected to decline by 6.7 percent.

The combined total of motor fuels normal, heavy vehicle fuel surtax, and motor fuels normal use tax is estimated to fall by 0.3 percent in the final two quarters and rise by 2.7 percent for the fiscal year, with revenues of \$456.4 million. In the first quarter of FY04, the decline is forecasted to be 1.6 percent.

Motor vehicle usage taxes are expected to decline by 3.0 percent in the remainder of the fiscal year. For the entire FY03, revenues should drop by 0.6 percent and yield \$426.7 million. The decline is projected to continue into the first quarter of FY04, with losses of 9.1 percent.

To estimate growth of all other components of the Road Fund, Transportation Cabinet officials assessed the growth patterns of FY02 as well as administrative factors in developing an updated estimate. Based on the latest evaluation, license and privilege taxes are expected to fall 0.8 percent for the fiscal year, with total revenues of \$103.1 million. Nontax revenues are projected to decline sharply, based on reduced investment income.

Table 5
General Fund: Interim Forecast
(millions of dollars)
January 2003

	FY03 Quarters 1 & 2		FY03 Quarters 3 & 4		FY03 Full Year		FY04 Quarter 1	
	Actual	% Chg Year Ago	Interim Estimate	% Chg Year Ago	Interim Estimate	% Chg Year Ago	Interim Estimate	% Chg Year Ago
Sales & Use	1,233.0	6.4	1,168.5	2.4	2,401.5	4.4	614.2	-3.1
Individual Income	1,353.2	0.8	1,483.6	9.1	2,836.8	5.0	698.4	4.1
Corporation Income & Lic.	221.8	50.1	168.0	-5.1	389.9	20.0	101.9	-7.9
Coal Severance	73.2	-12.2	70.5	-8.2	143.7	-10.3	35.4	-2.2
Property	266.4	0.1	167.4	0.3	433.8	0.2	40.1	-14.9
Lottery	80.0	-9.1	91.9	13.5	171.9	1.7	39.6	-1.1
Other	214.3	13.7	270.8	-4.0	485.1	3.1	82.2	-18.9
General Fund	3,441.9	5.1	3,420.8	4.2	6,862.7	4.6	1,611.8	-1.7

Table 6
Road Fund: Interim Forecast
 (millions of dollars)
January 2003

	FY03		FY03		FY03		FY04	
	Quarters 1 & 2		Quarters 3 & 4		Full Year		First Quarter	
	Actual	% Chg Year Ago	Interim Estimate	% Chg Year Ago	Interim Estimate	% Chg Year Ago	Interim Estimate	% Chg Year Ago
Motor Fuels & MF Use/Surtax	231.2	5.8	225.2	-0.3	456.4	2.7	114.6	-1.6
Motor Vehicle Usage & Rental	216.2	1.9	210.5	-3.0	426.7	-0.6	106.5	-9.1
License & Privilege (excl. WD)	35.8	-5.3	67.3	1.8	103.1	-0.8	19.0	6.1
Weight Distance Tax/Surtax	39.3	3.4	39.0	4.6	78.3	4.0	19.6	0.0
Nontax Rec and Fees	32.0	-2.7	24.6	-26.1	56.6	-14.5	10.0	-44.0
Toll Income	6.6	-5.7	6.7	-1.5	13.3	-3.6	3.3	-8.3
Investment	15.6	-3.7	7.4	-53.8	23.0	-28.6	2.0	-79.2
Other	9.8	1.0	10.5	0.0	20.3	0.5	4.7	1.2
Road Fund	554.5	2.8	566.6	-2.2	1,121.1	0.2	297.7	-6.7

APPENDIX

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KENTUCKY STATE GOVERNMENT REVENUE - GENERAL FUND REVENUE

	Second Quarter 2002 - 2003	Second Quarter 2001 - 2002	Percent Change	Year-to Date 2002 - 2003	Year-to Date 2001 - 2002	Percent Change
TOTAL GENERAL FUND	\$1,802,002,556	\$1,714,600,221	5.1	\$3,441,908,644	\$3,275,841,471	5.1
Tax Receipts	1,740,126,732	1,634,343,868	6.5	3,319,582,463	3,135,255,543	5.9
Sales & Gross Receipts	633,238,977	616,673,556	2.7	1,314,502,944	1,235,245,520	6.4
Beer Consumption	1,488,505	1,489,750	-0.1	3,302,257	3,169,303	4.2
Beer Wholesale	8,549,279	8,287,394	3.2	18,768,499	17,855,096	5.1
Cigarette	3,871,211	3,439,721	12.5	7,967,921	7,045,866	13.1
Distilled Spirits Case Sales	22,112	20,741	6.6	42,740	41,116	3.9
Distilled Spirits Consumption	2,235,053	2,099,786	6.4	4,309,826	4,135,563	4.2
Distilled Spirits Wholesale	4,171,295	3,824,424	9.1	7,936,522	7,458,641	6.4
Insurance Premium	9,979,195	12,485,437	-20.1	32,343,470	29,973,851	7.9
Pari-Mutuel	1,606,037	1,251,559	28.3	2,414,389	2,157,510	11.9
Race Track Admission	63,044	64,439	-2.2	163,397	161,784	1.0
Sales and Use	598,930,386	581,552,304	3.0	1,233,043,225	1,159,256,349	6.4
Wine Consumption	496,412	474,210	4.7	927,933	889,979	4.3
Wine Wholesale	1,826,447	1,683,792	8.5	3,282,766	3,100,460	5.9
License and Privilege	72,274,558	62,632,802	15.4	143,738,788	125,528,536	14.5
Alc. Bev. License Suspension	38,050	14,500	162.4	79,300	106,300	-25.4
Coal Severance	36,941,223	41,248,236	-10.4	73,160,985	83,313,292	-12.2
Corporation License	26,774,932	13,480,139	98.6	54,689,224	27,073,728	102.0
Corporation Organization	35,475	52,083	-31.9	135,504	68,554	97.7
Occupational Licenses	18,364	22,628	-18.8	63,505	89,628	-29.1
Oil Production	727,947	616,343	18.1	1,485,660	1,392,067	6.7
Race Track License	126,600	109,675	15.4	281,475	(63,502)	---
Bank Franchise Tax	(19,801)	(277,253)	---	(597,223)	(1,476,415)	---
Driver License Fees	117,729	115,885	1.6	258,146	245,599	5.1
Minerals Severance	3,834,412	3,932,671	-2.5	7,190,347	7,413,098	-3.0
Natural Gas Severance	3,679,626	3,317,895	10.9	6,991,865	7,366,188	-5.1
Income	767,091,006	708,104,419	8.3	1,520,354,570	1,463,685,021	3.9
Corporation	84,437,566	48,167,131	75.3	167,150,580	120,697,113	38.5
Individual	682,653,440	659,937,288	3.4	1,353,203,990	1,342,987,908	0.8
Property	219,271,132	227,267,857	-3.5	266,375,595	266,084,287	0.1
Bank Deposits	-	14,254	---	260	18,205	-98.6
Building & Loan Association	(90,023)	113	---	32,769	50,913	-35.6
Distilled Spirits	385,444	296,167	30.1	424,974	363,845	16.8
General - Intangible	19,508,783	16,380,923	19.1	19,490,979	16,381,356	19.0
General - Real	117,682,909	121,551,092	-3.2	117,469,974	121,234,299	-3.1
General - Tangible	56,548,318	54,492,256	3.8	72,175,803	76,500,715	-5.7
Omitted & Delinquent	15,994,632	3,771,438	324.1	17,379,523	10,666,742	62.9
Public Service	9,144,986	30,663,288	-70.2	39,294,265	40,754,855	-3.6
Other	96,083	98,325	-2.3	107,048	113,358	-5.6
Inheritance	39,732,455	16,286,307	144.0	60,725,188	38,993,228	55.7
Miscellaneous	8,518,605	3,378,926	152.1	13,885,378	5,718,952	142.8
Legal Process	6,458,684	1,457,608	343.1	10,075,897	2,349,614	328.8
T. V. A. In Lieu Payments	2,038,210	1,868,404	9.1	3,787,771	3,316,198	14.2
Other	21,710	52,915	-59.0	21,710	53,140	-59.1
Nontax Receipts	60,966,351	77,713,469	-21.5	119,127,876	136,012,677	-12.4
Departmental Fees	5,158,791	4,239,221	21.7	10,340,702	8,645,320	19.6
PSC Assessment Fee	28,524	37,315	-23.6	2,762,286	1,630,662	69.4
Fines & Forfeitures	6,869,520	9,559,607	-28.1	16,412,107	19,534,023	-16.0
Interest on Investments	258,315	7,363,508	-96.5	517,671	10,467,889	-95.1
Lottery	40,000,000	49,000,000	-18.4	80,000,000	88,000,000	-9.1
Miscellaneous	8,651,201	7,513,819	15.1	9,095,110	7,734,783	17.6
Redeposit of State Funds	909,473	2,542,884	-64.2	3,198,306	4,573,251	-30.1

KENTUCKY STATE GOVERNMENT REVENUE - ROAD FUND REVENUE

	Second Quarter 2002 - 2003	Second Quarter 2001 - 2002	Percent Change	Year-to Date 2002 - 2003	Year-to Date 2001 - 2002	Percent Change
TOTAL ROAD FUND	\$265,624,388	\$277,663,768	-4.3	\$554,498,710	\$539,318,110	2.8
Tax Receipts-	251,449,245	58,164,031	-2.6	522,492,707	506,472,784	3.2
Sales and Gross Receipts	213,880,342	219,224,348	-2.4	447,404,826	430,687,996	3.9
Motor Fuels Taxes	110,594,610	104,926,733	5.4	223,711,971	212,104,987	5.5
Motor Fuels Use & Surtax	4,072,639	4,029,500	1.1	7,342,056	6,225,730	17.9
Truck Trip Permits (fuel)	99,200	88,040	12.7	183,840	185,440	-0.9
Motor Vehicle Usage	99,113,893	110,180,075	-10.0	216,166,959	212,171,838	1.9
License and Privilege	37,568,903	38,939,683	-3.5	75,087,881	75,784,789	-0.9
Motor Vehicles	13,162,258	15,403,673	-14.6	27,563,771	29,669,223	-7.1
Motor Vehicle Operators	1,405,671	1,383,107	1.6	2,864,326	2,653,014	8.0
Weight Distance	19,720,530	18,955,177	4.0	39,342,670	38,038,251	3.4
Truck Decal Fees	14,287	42,157	-66.1	51,024	99,245	-48.6
Other Special Fees	3,266,157	3,155,568	3.5	5,266,090	5,325,056	-1.1
Nontax Receipts	14,059,638	19,174,176	-26.7	31,423,858	31,460,475	-0.1
Departmental Fees	4,497,443	3,678,314	22.3	8,209,244	6,712,955	22.3
In Lieu of Traffic Fines	326,098	518,002	-37.0	713,800	1,059,196	-32.6
Highway Tolls	3,023,540	3,540,227	-14.6	6,609,672	6,999,074	-5.6
Investment Income	6,066,681	11,082,231	-45.3	15,636,452	16,208,224	-3.5
Miscellaneous	145,875	355,402	-59.0	254,690	481,026	-47.1
Redeposit of State Funds	115,505	325,561	-64.5	582,146	1,384,851	-58.0

1 ***Executive Summary***

3 ***The Economy***

9 ***Revenue Receipts***

13 ***Revenue Outlook***

17 ***Appendix: Second Quarter Receipts***
