Lexington's Employment Trends & Occupational License Tax Forecast

Lexington-Fayette Urban County Council

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Overview

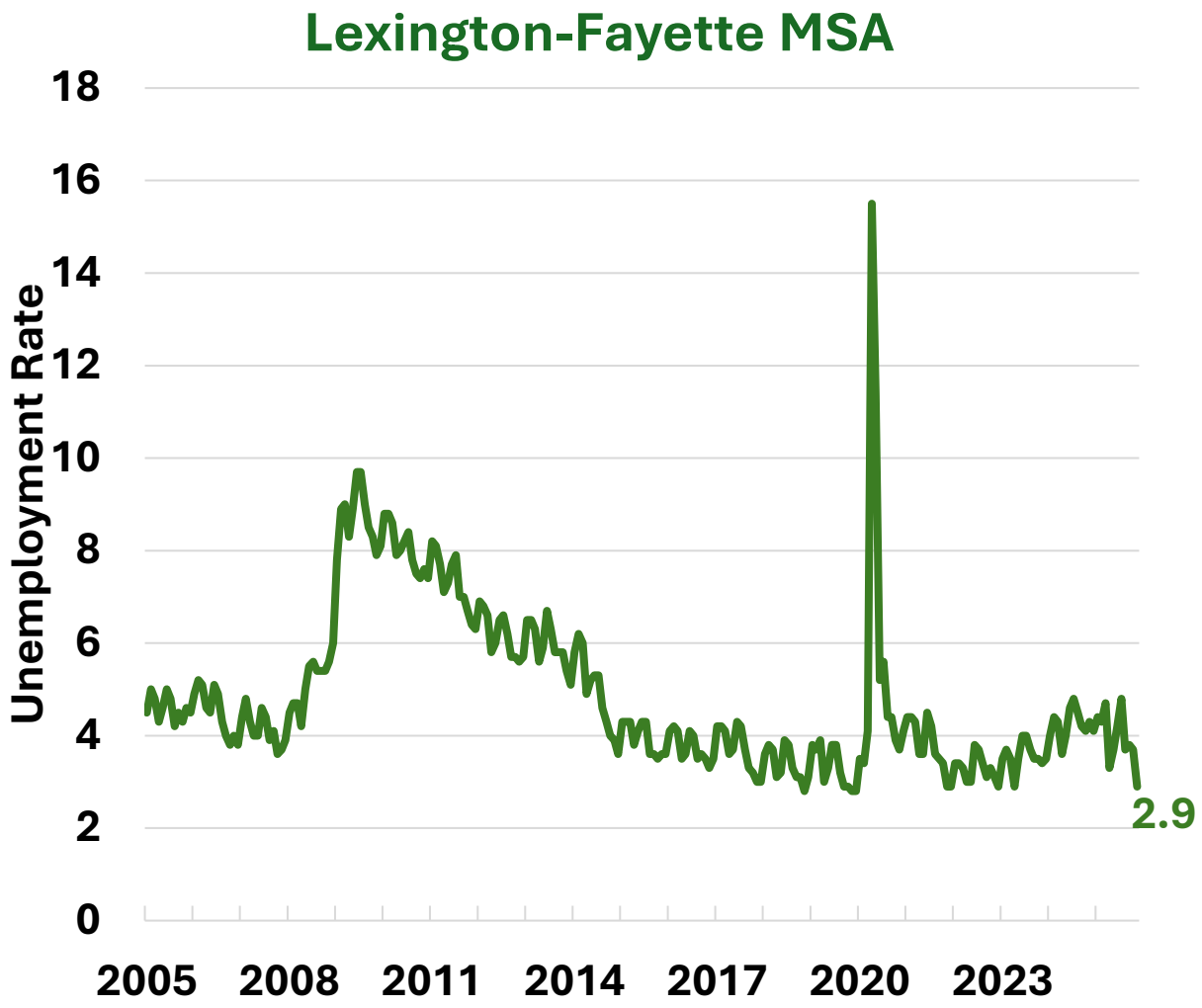
National economy

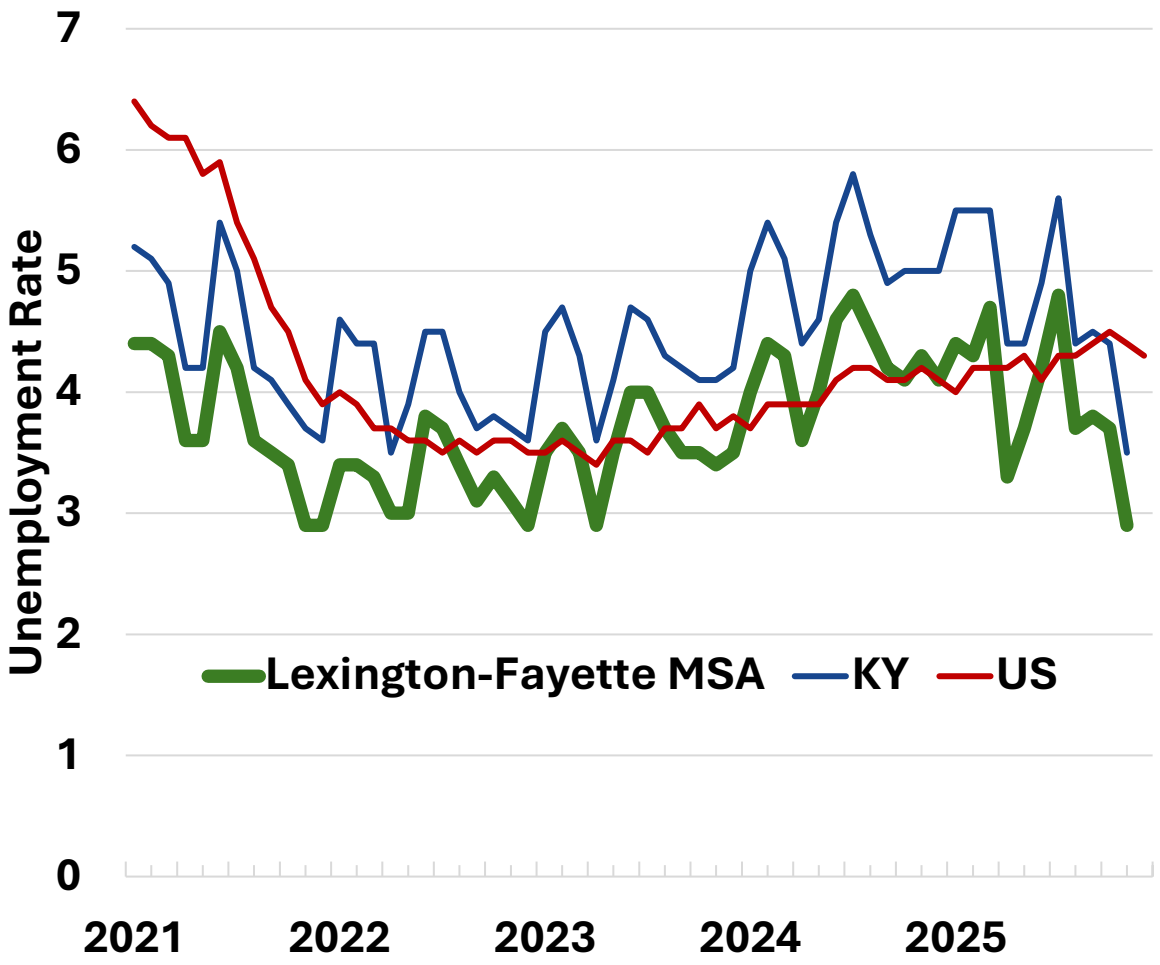
- Inflation pressures remain
- Employment grew but a slower pace
- Slower wage growth

Lexington

- Employment growth
  - slowed in FY 2025
  - expect slower growth in FY 2026 & 2027
- Will contribute to slower revenue growth

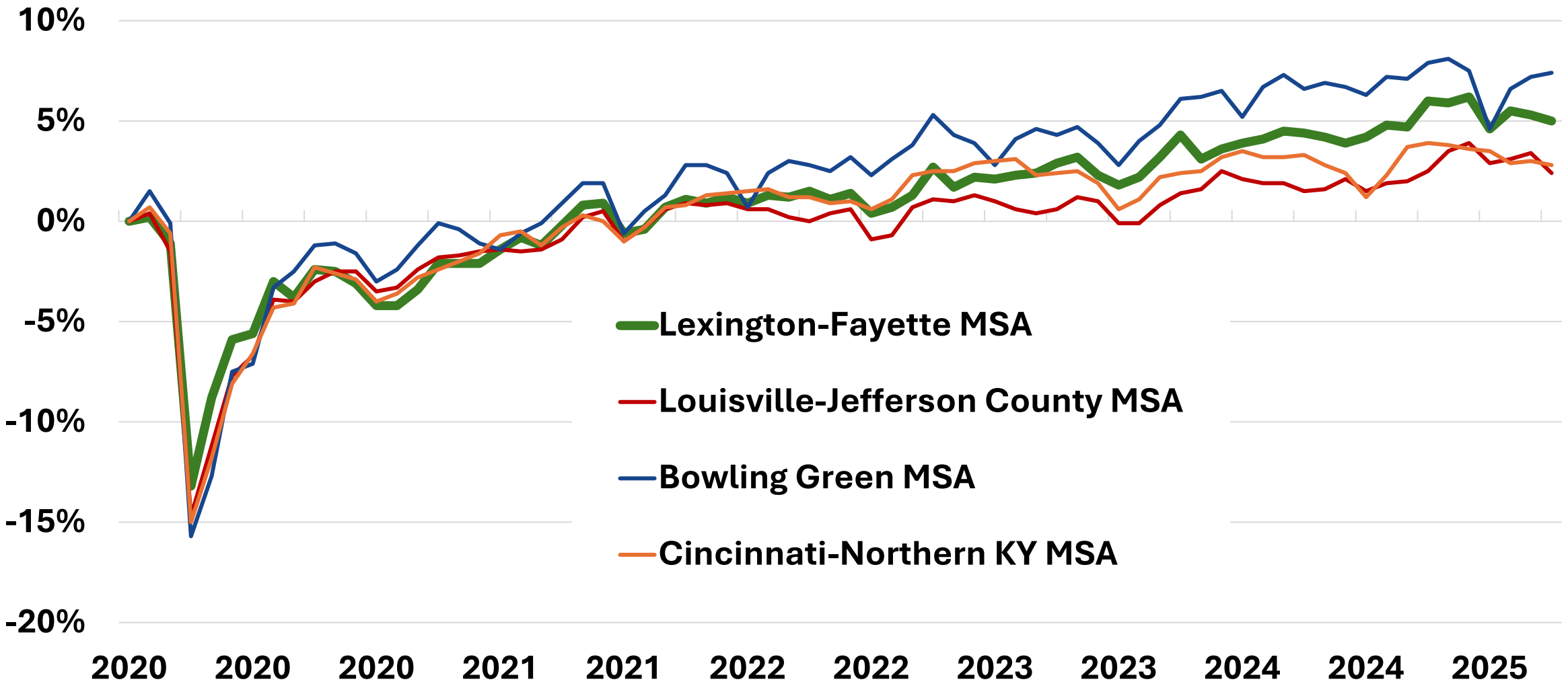
Unemployment Rates





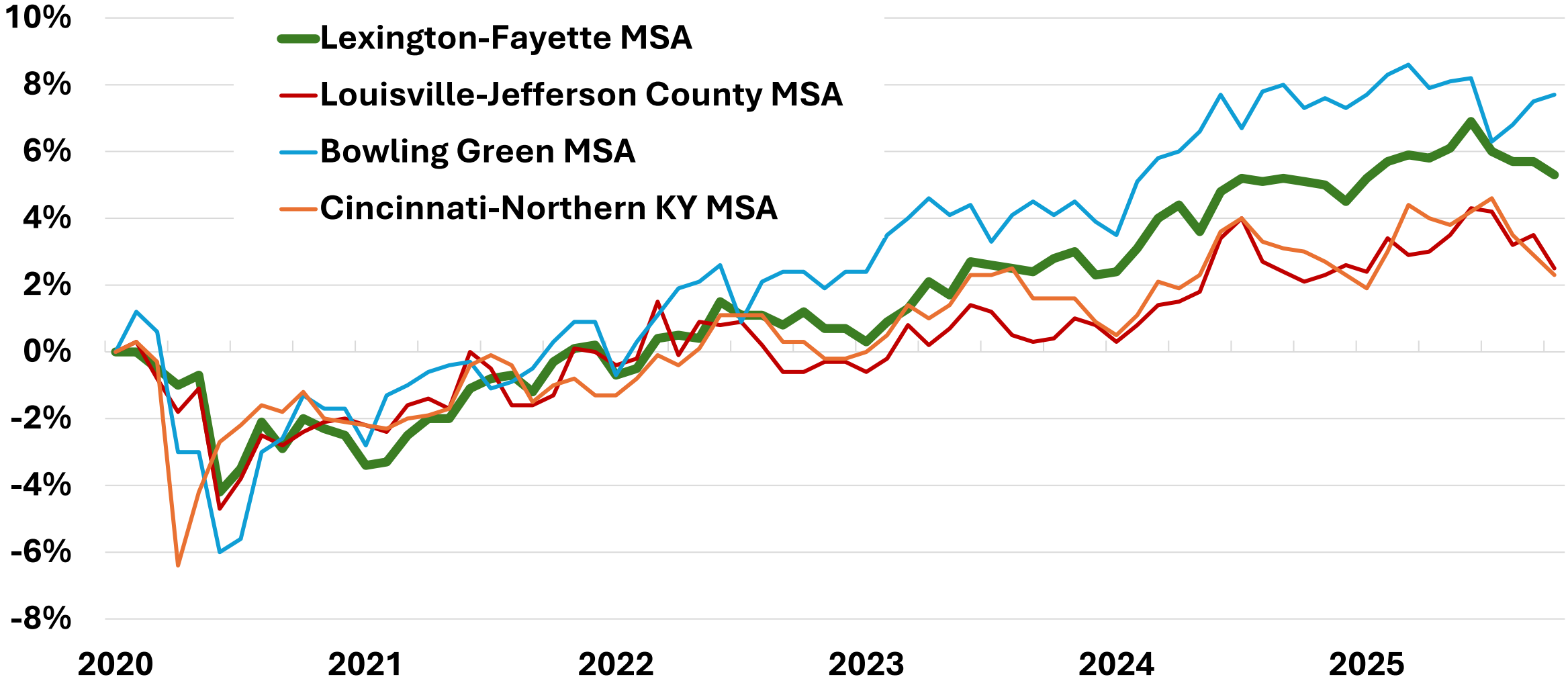
Source: US Bureau of Labor Statistics. Local Area Unemployment Statistics. Not Seasonally Adjusted.

Number of People Employed
Percent Change from January 2020



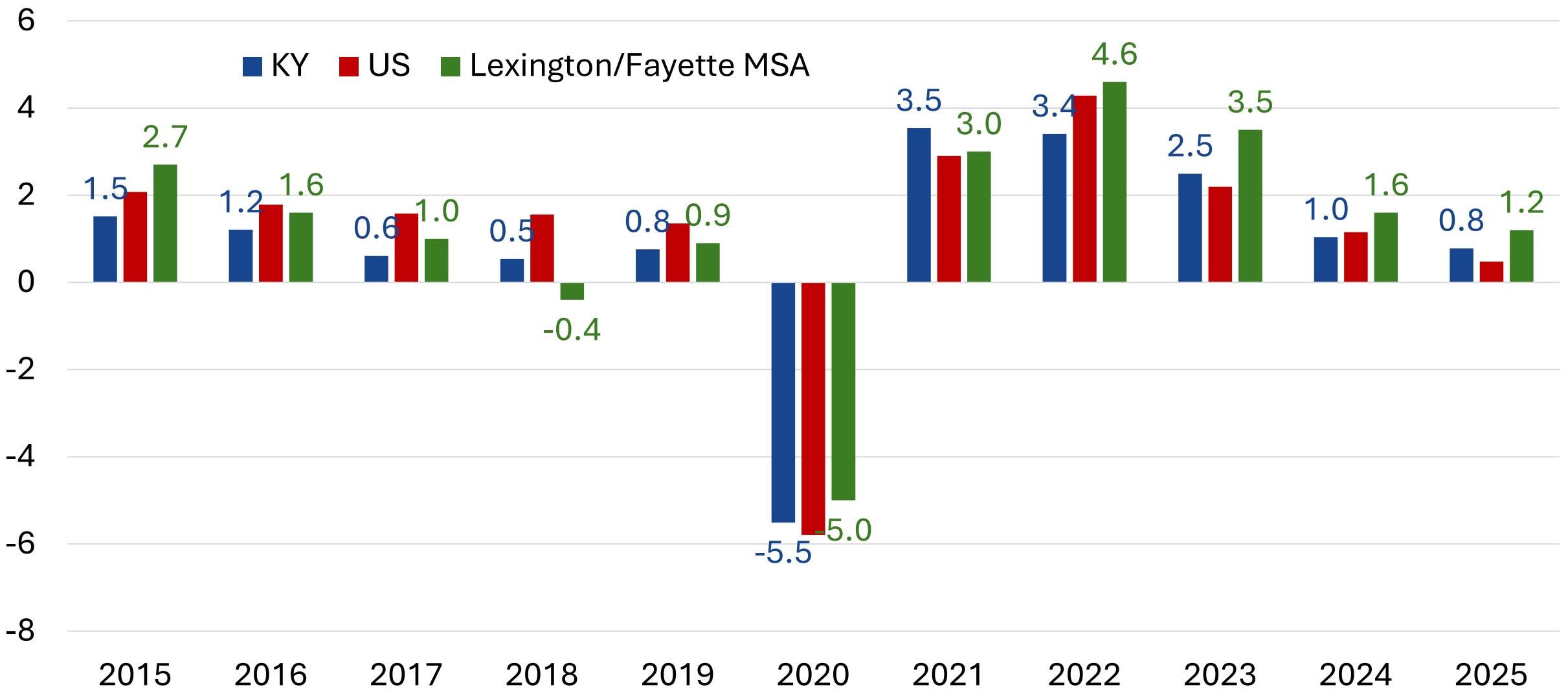
Source: US Bureau of Labor Statistics. Local Area Unemployment Statistics. Not Seasonally Adjusted.

Number of People in Labor Force
Percent Change from January 2020



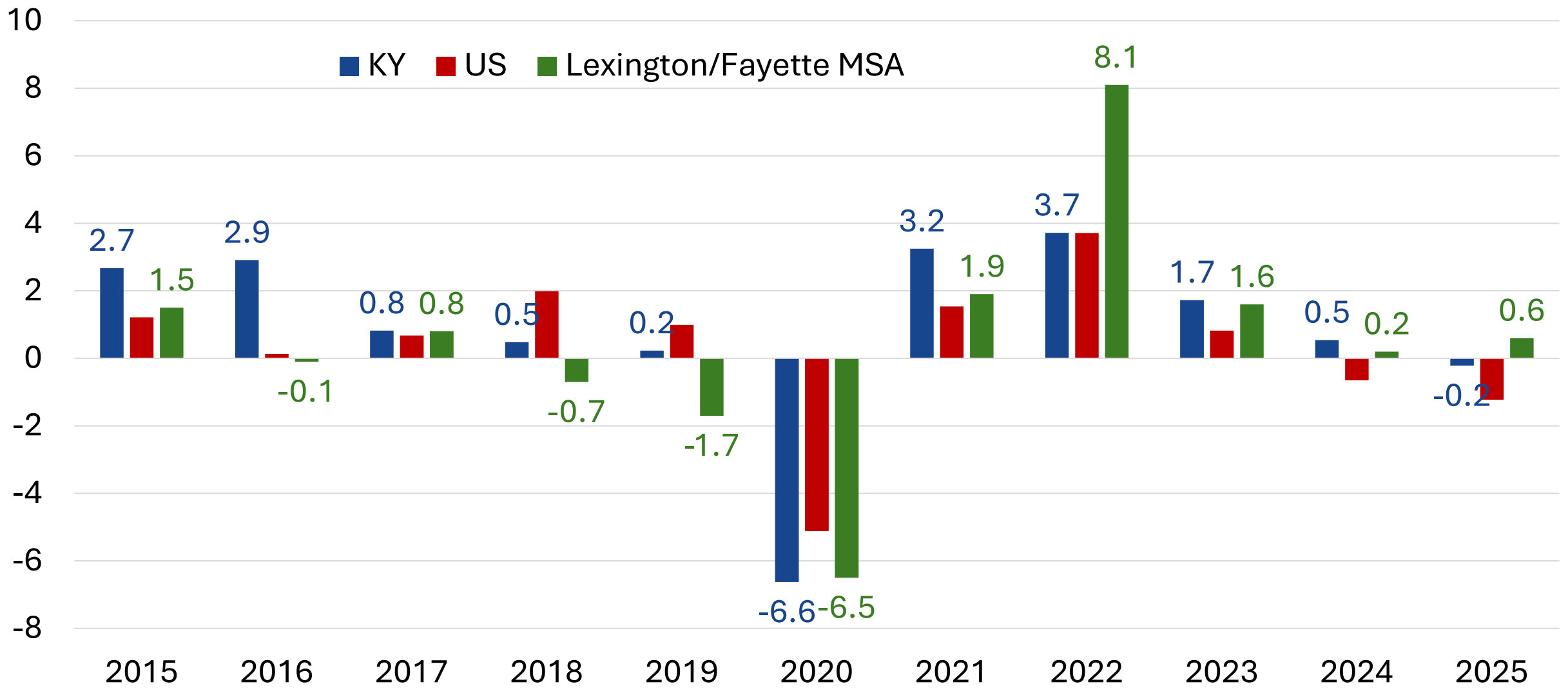
Source: US Bureau of Labor Statistics. Local Area Unemployment Statistics. Not Seasonally Adjusted.

Percent Change in Annual Total Nonfarm Employment (Jobs)



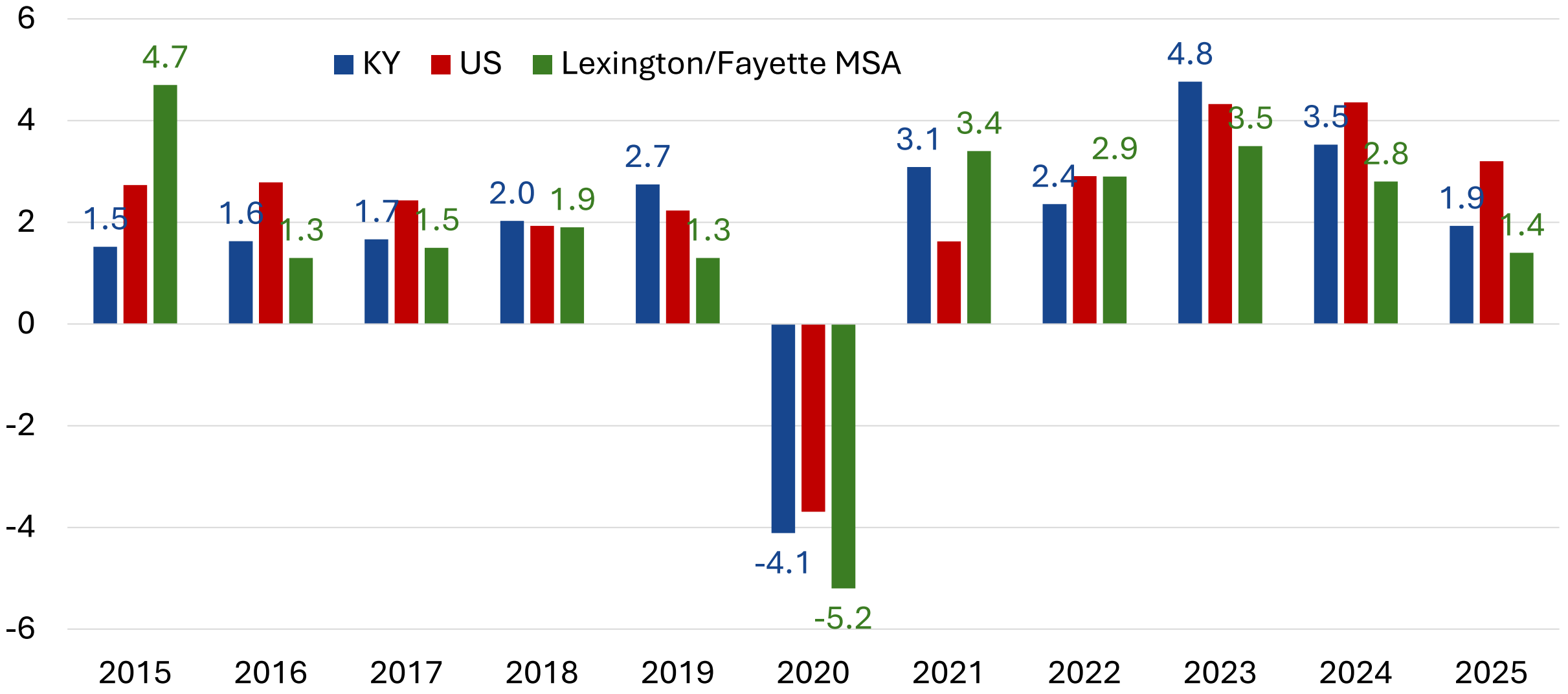
Source: US Bureau of Labor Statistics. Current Employment Statistics.

Percent Change in Annual Manufacturing Employment (Jobs)



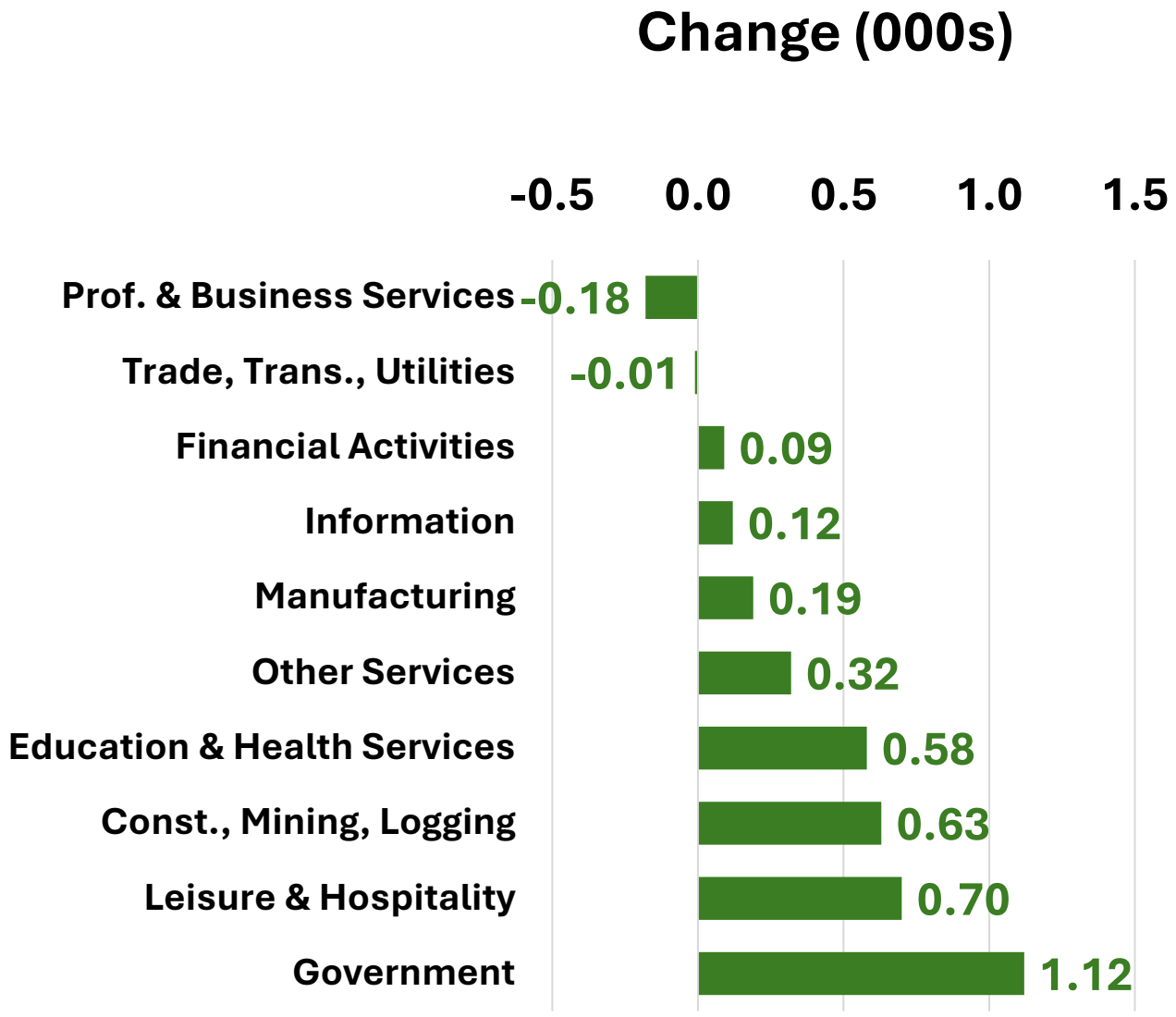
Source: US Bureau of Labor Statistics. Current Employment Statistics.

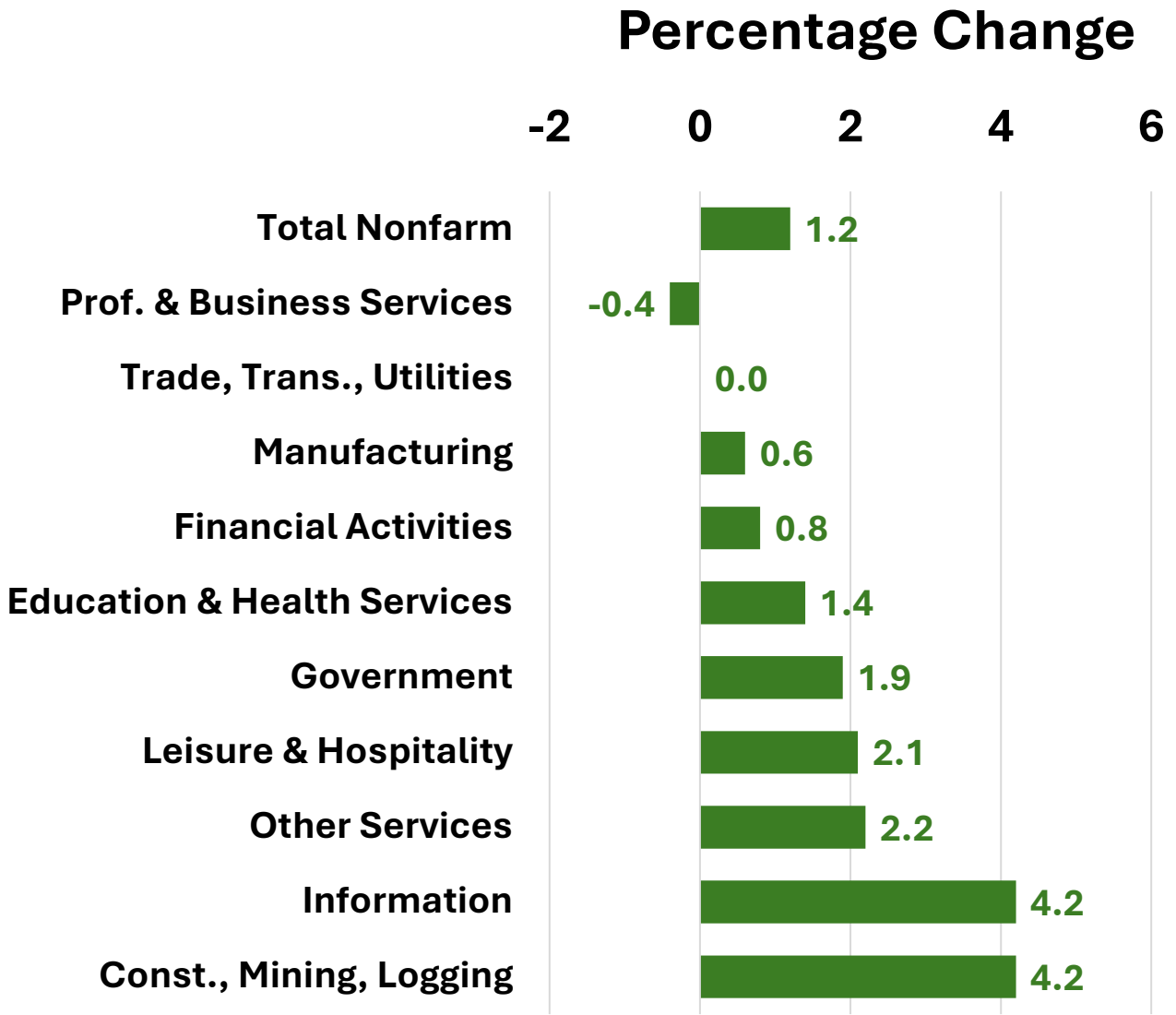
Percent Change in Annual Education & Health Care Employment (Jobs)



Source: US Bureau of Labor Statistics. Current Employment Statistics.

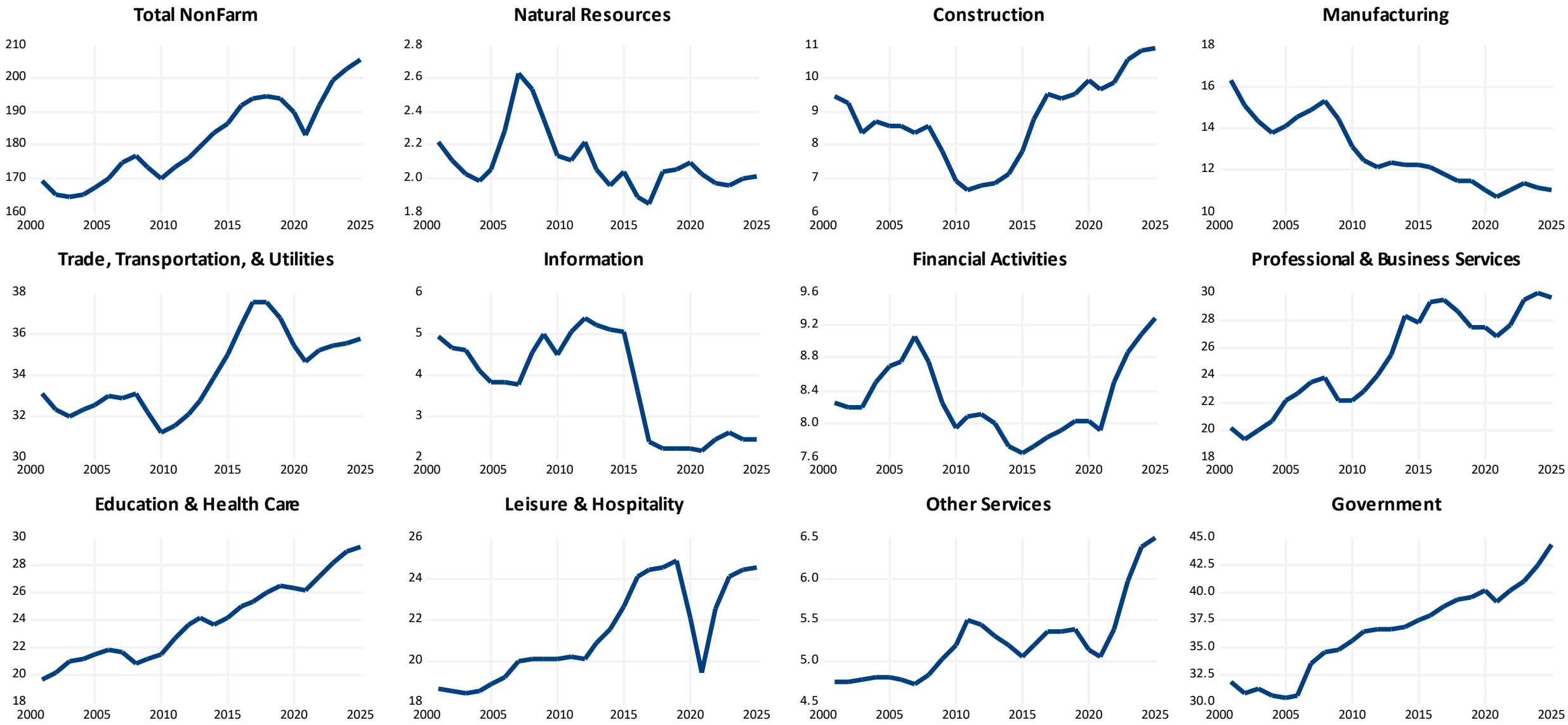
Change in Average Annual Employment, Lexington-Fayette MSA 2024 to 2025





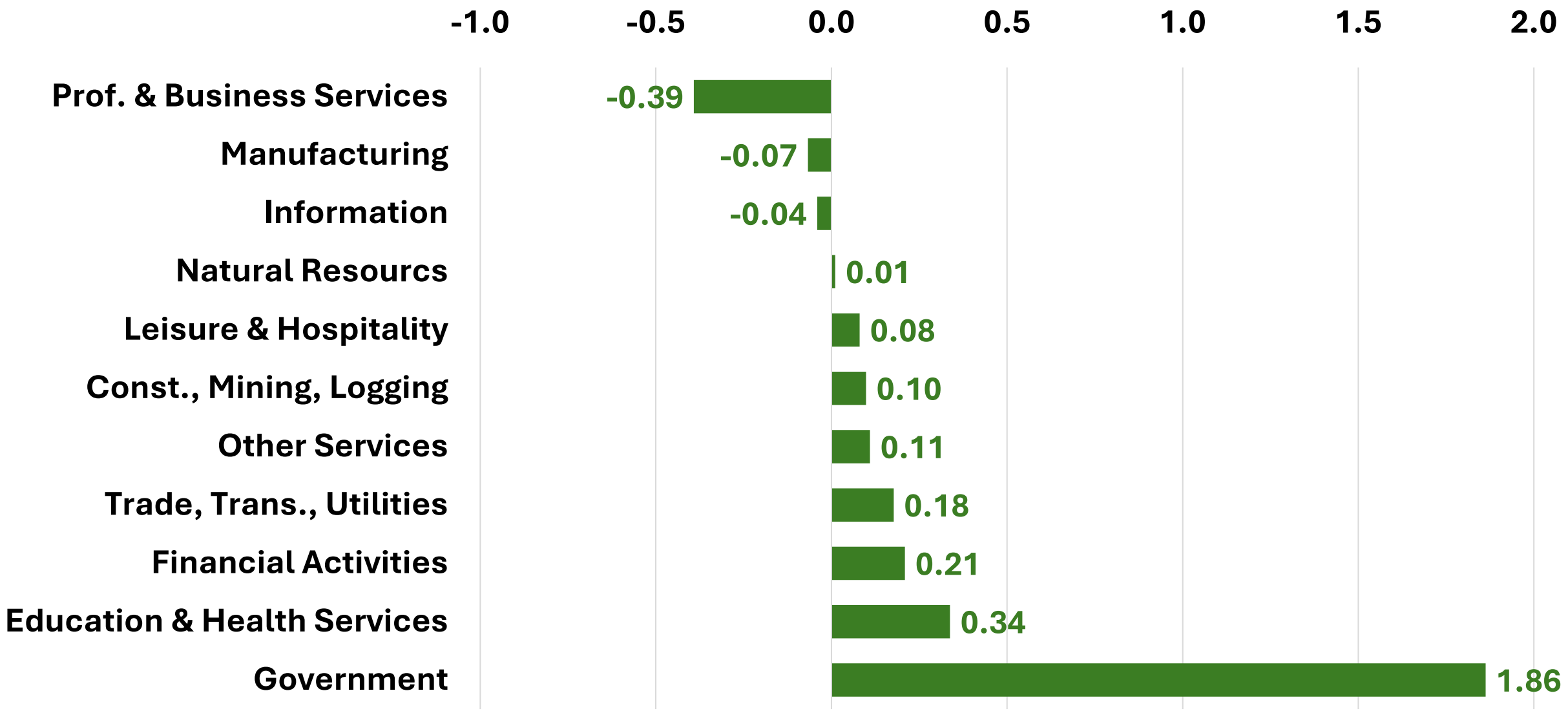
Source: US Bureau of Labor Statistics. Current Employment Statistics.

Fayette County Annual Employment by Sector (Jobs 000s)



Fiscal Year

Average Employment Change (000s of Jobs)
FY 2024 to FY 2025, Fayette County



Source: US Bureau of Labor Statistics. Quarterly Census of Employment and Wages.

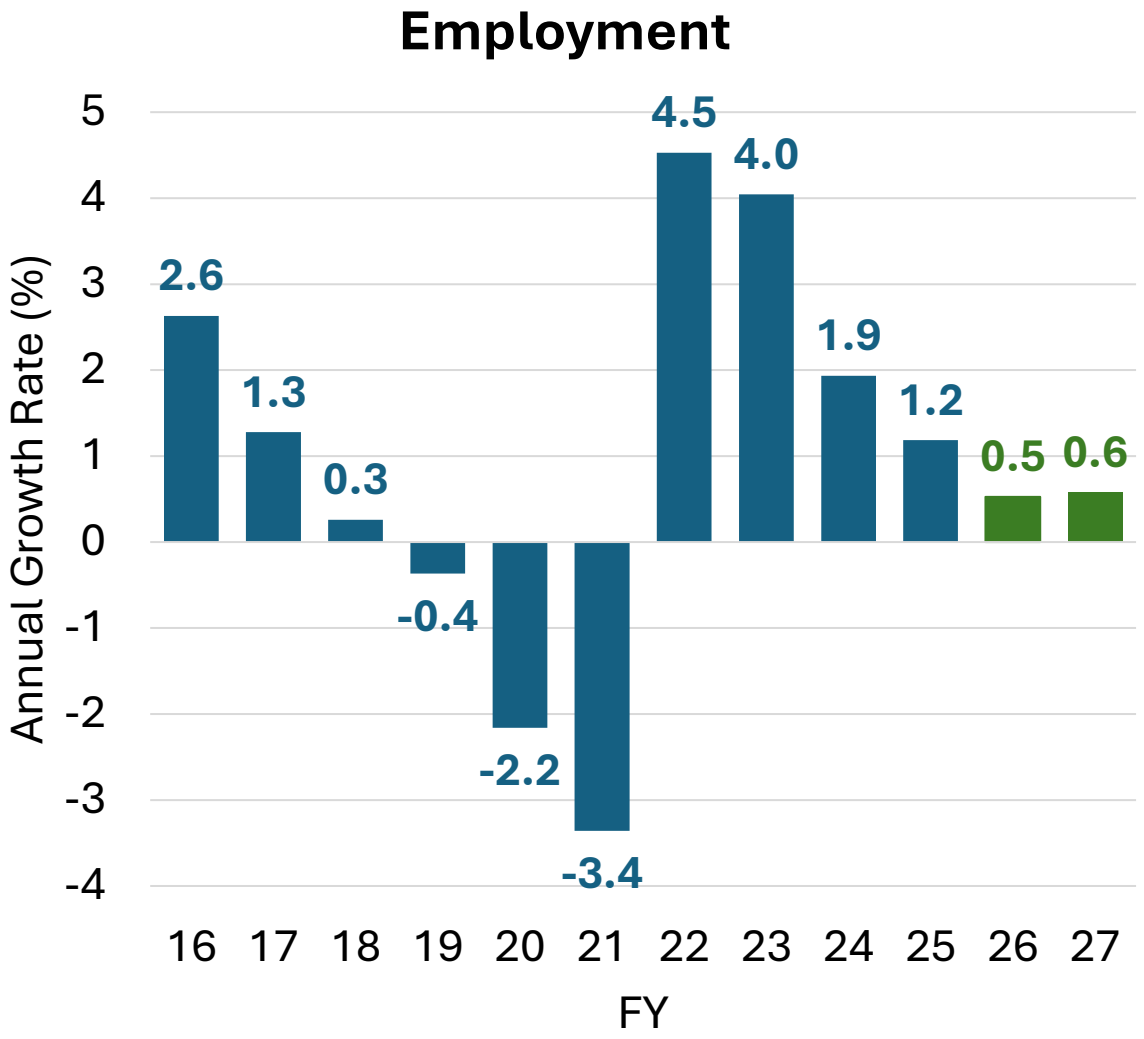
Drivers of Lexington's Payroll Tax Revenues

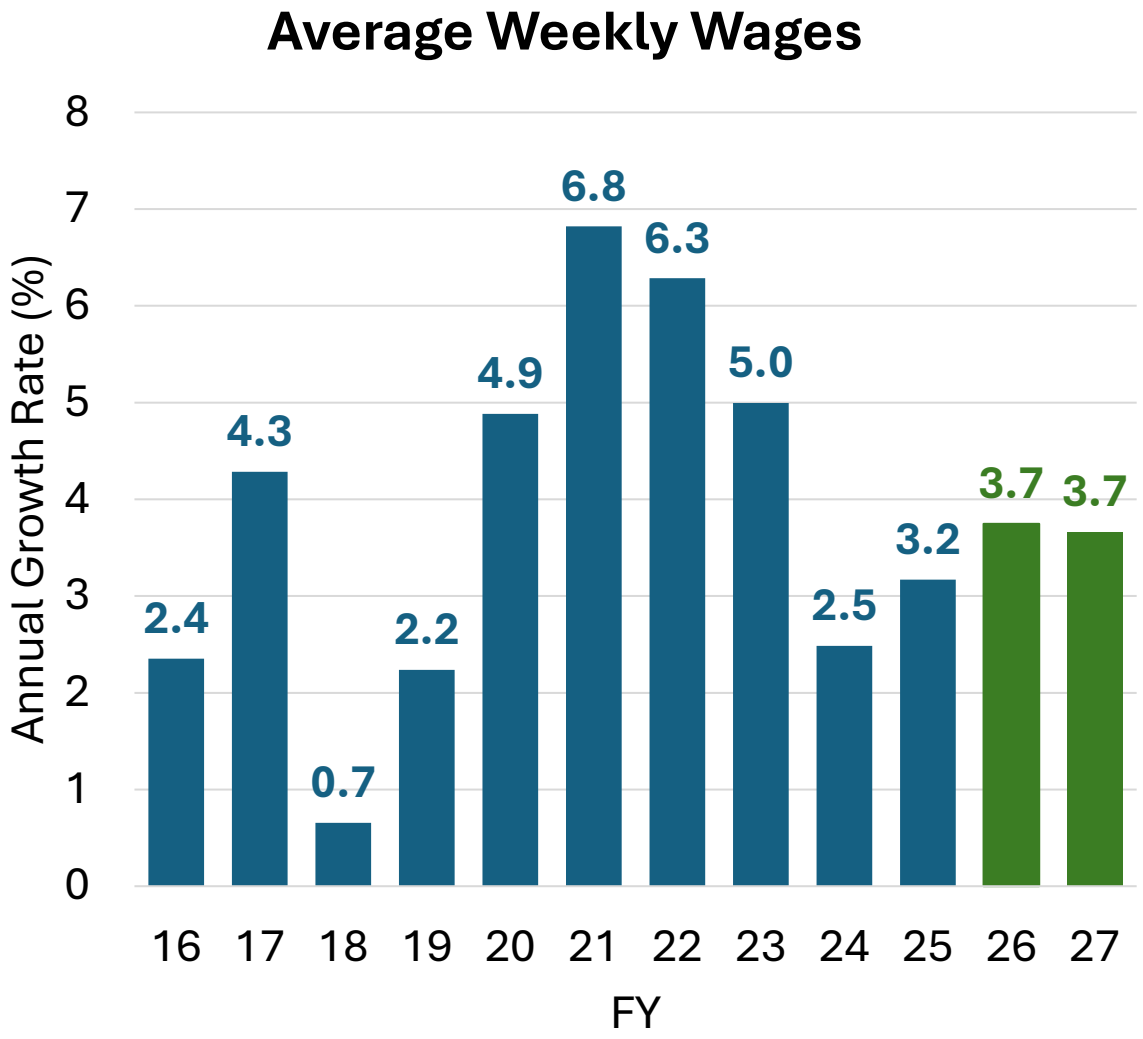
	Average Annual Growth Rate (FY2002 to FY 2019)	Growth Rate FY 2025
Employment	1.0%	1.2%
Average Wages	2.4%	3.2%
Payroll Tax Revenues	3.5%	3.4%

Growth in Payroll Tax Revenues FY 2025

- 27% from growth in employment
- 72% from growth in wages

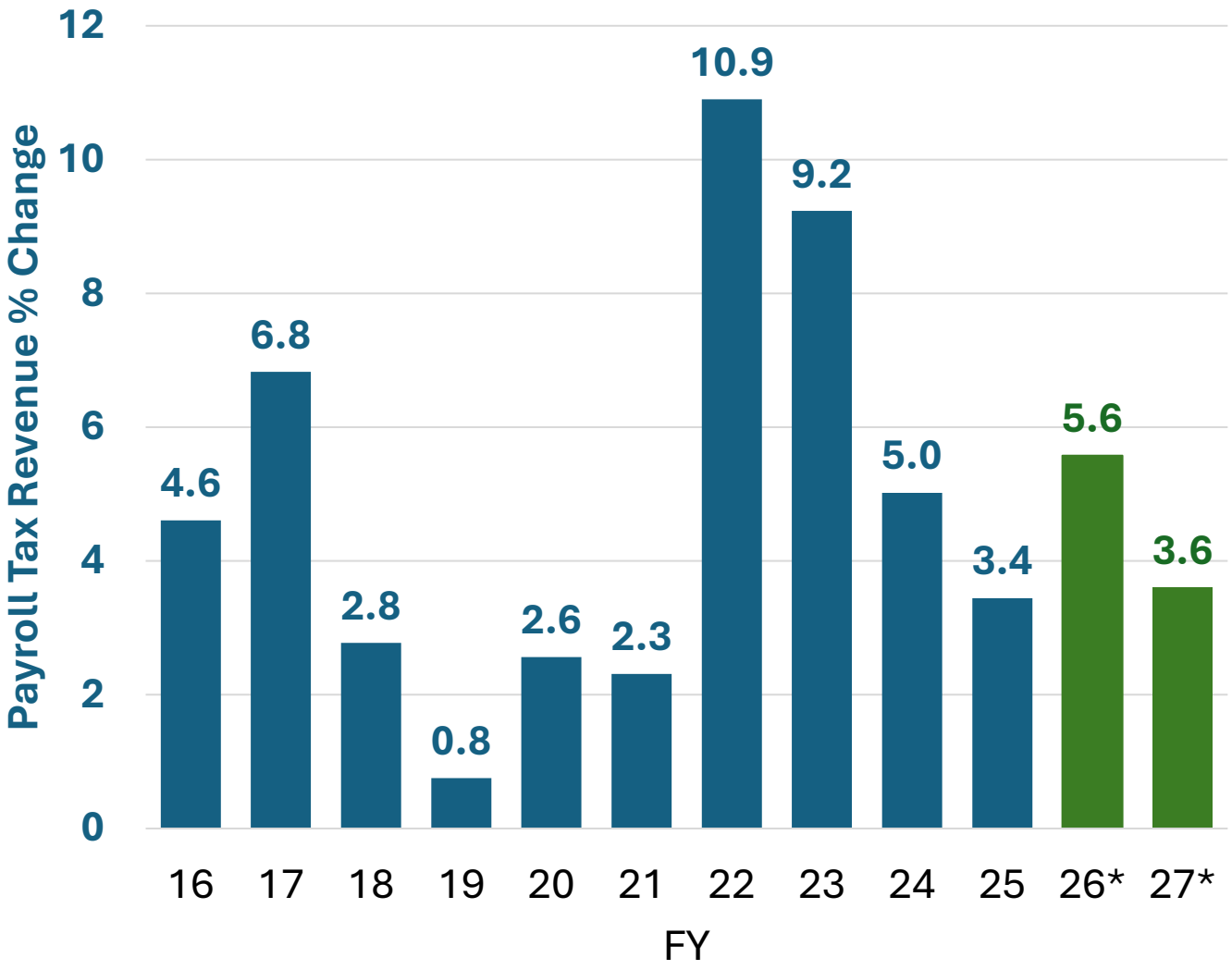
Fayette County Forecast





Source: US Bureau of Labor Statistics. Quarterly Census of Employment and Wages. UK CBER Forecast.

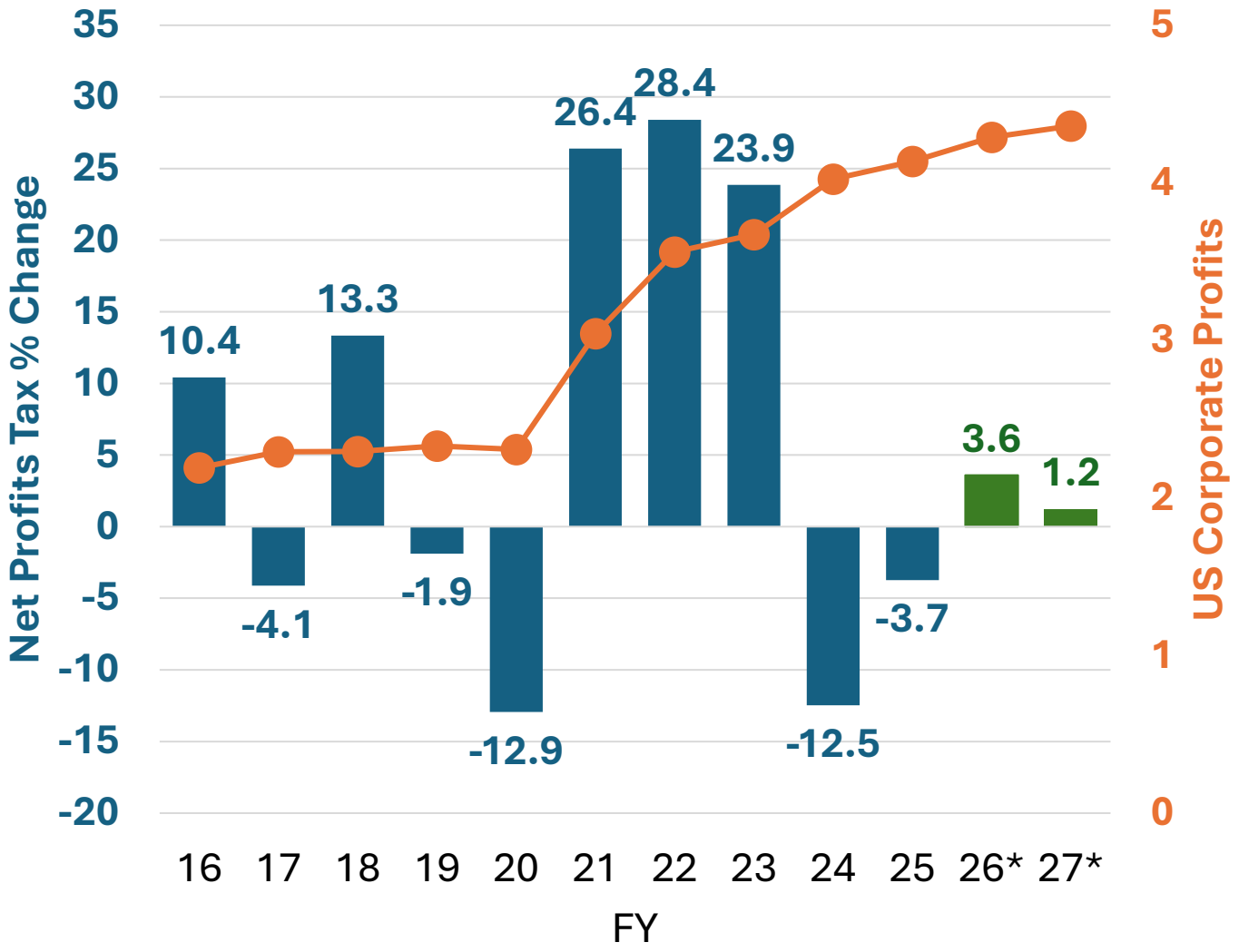
Lexington Payroll Tax Revenue Projections



	Payroll Tax	
FY	$ millions	Percent Change
2025	277.6	3.4%
2026*	293.0	5.6%
2027*	303.6	3.6%

*Forecast

Lexington Net Profits Tax Revenue Projections



	Net Profits Tax	
FY	$ millions	Percent Change
2025	64.3	-3.7
2026*	66.6	3.6%
2027*	67.4	1.2%

*Forecast

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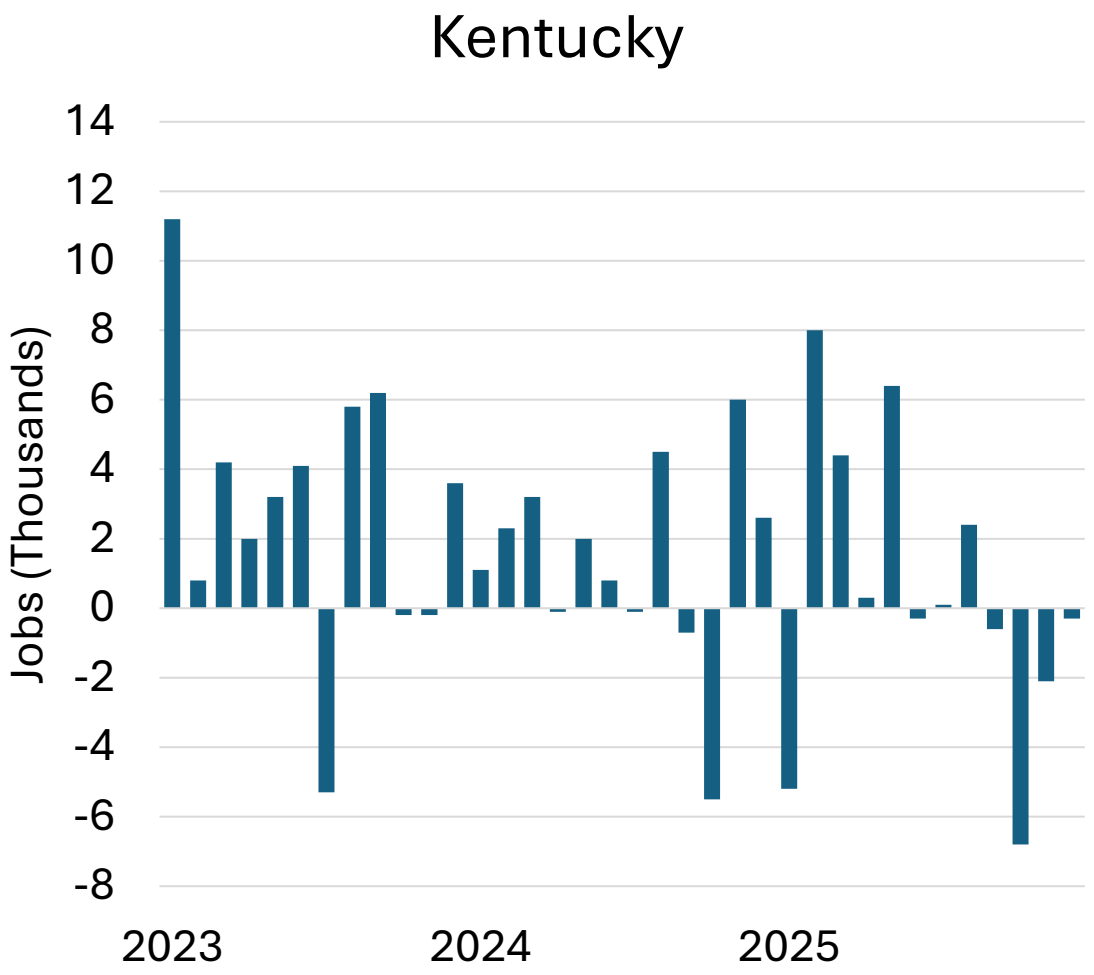
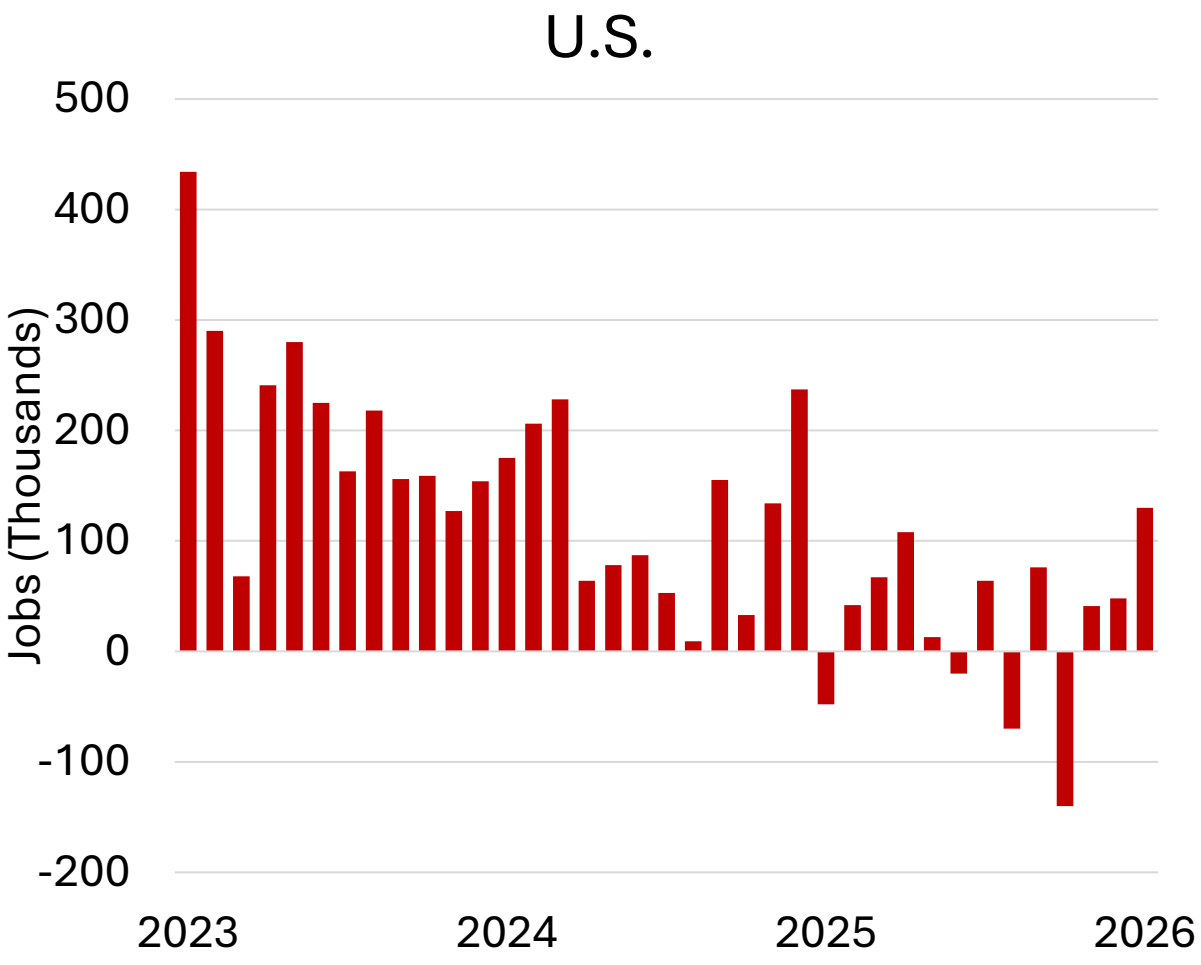
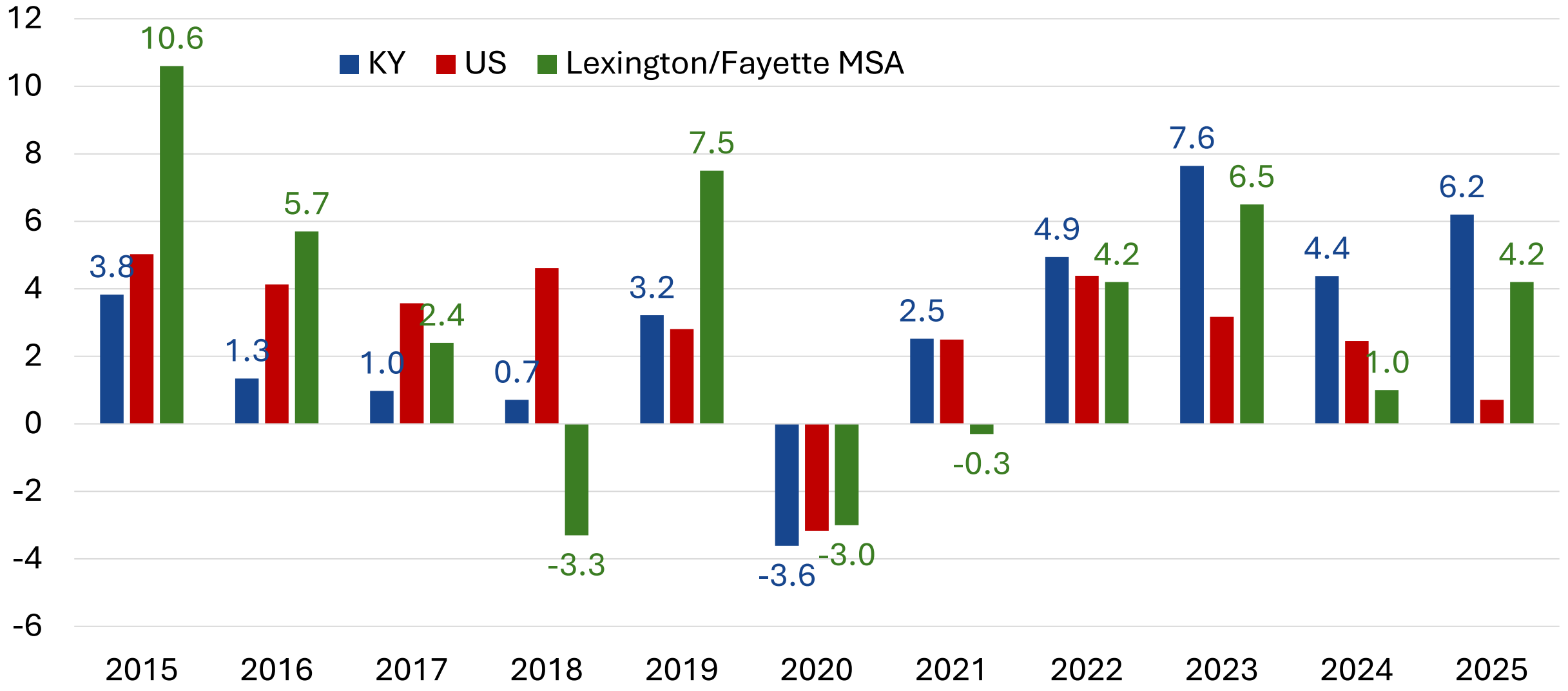
Monthly Change in Nonfarm Employment (Jobs)





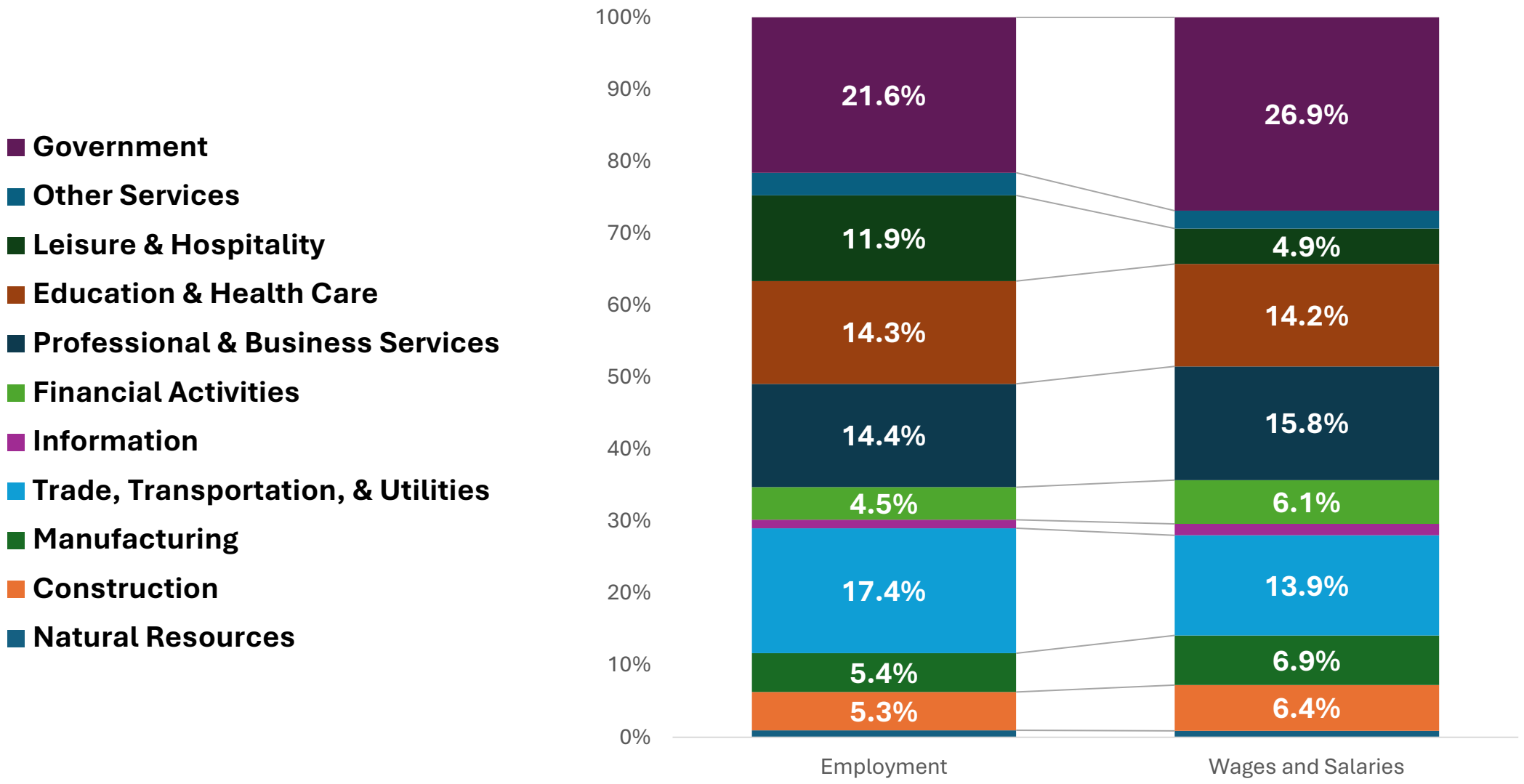
Source: US Bureau of Labor Statistics. Current Employment Statistics.

Percent Change in Annual Construction Employment (Jobs)



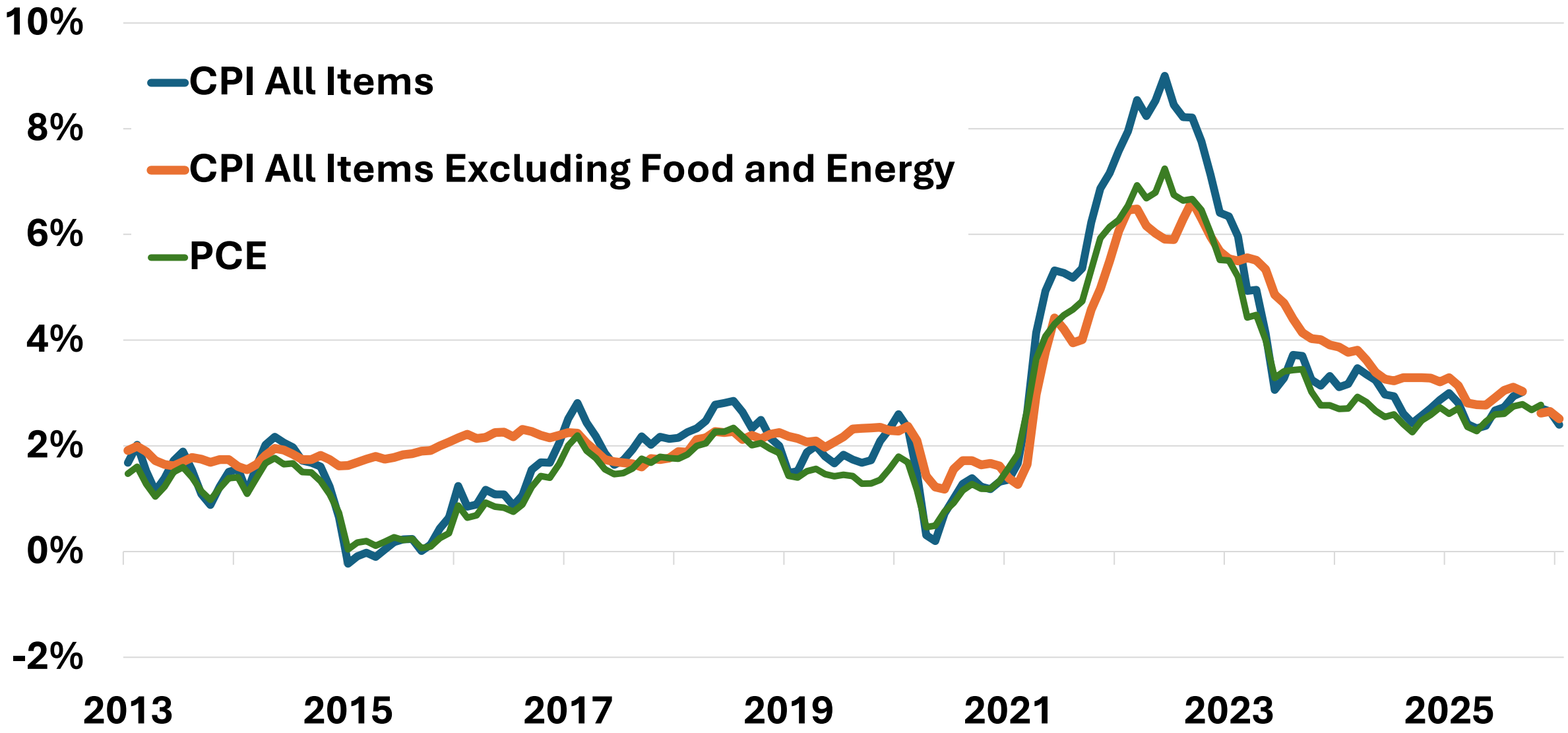
Source: US Bureau of Labor Statistics. Current Employment Statistics.

Fayette County Employment and Wages by Industry



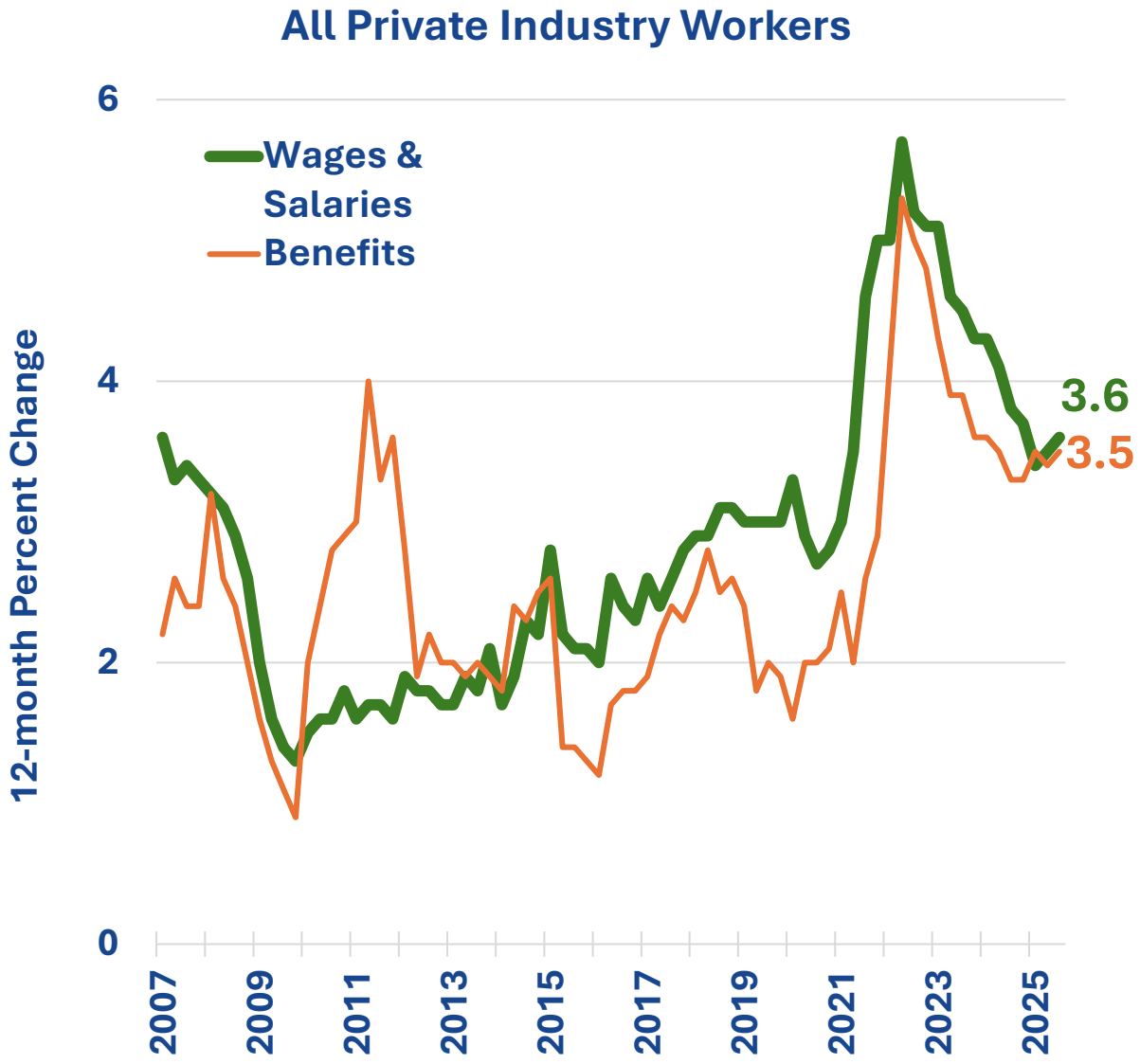
Source: US Bureau of Labor Statistics. Quarterly Census of Employment and Wages.

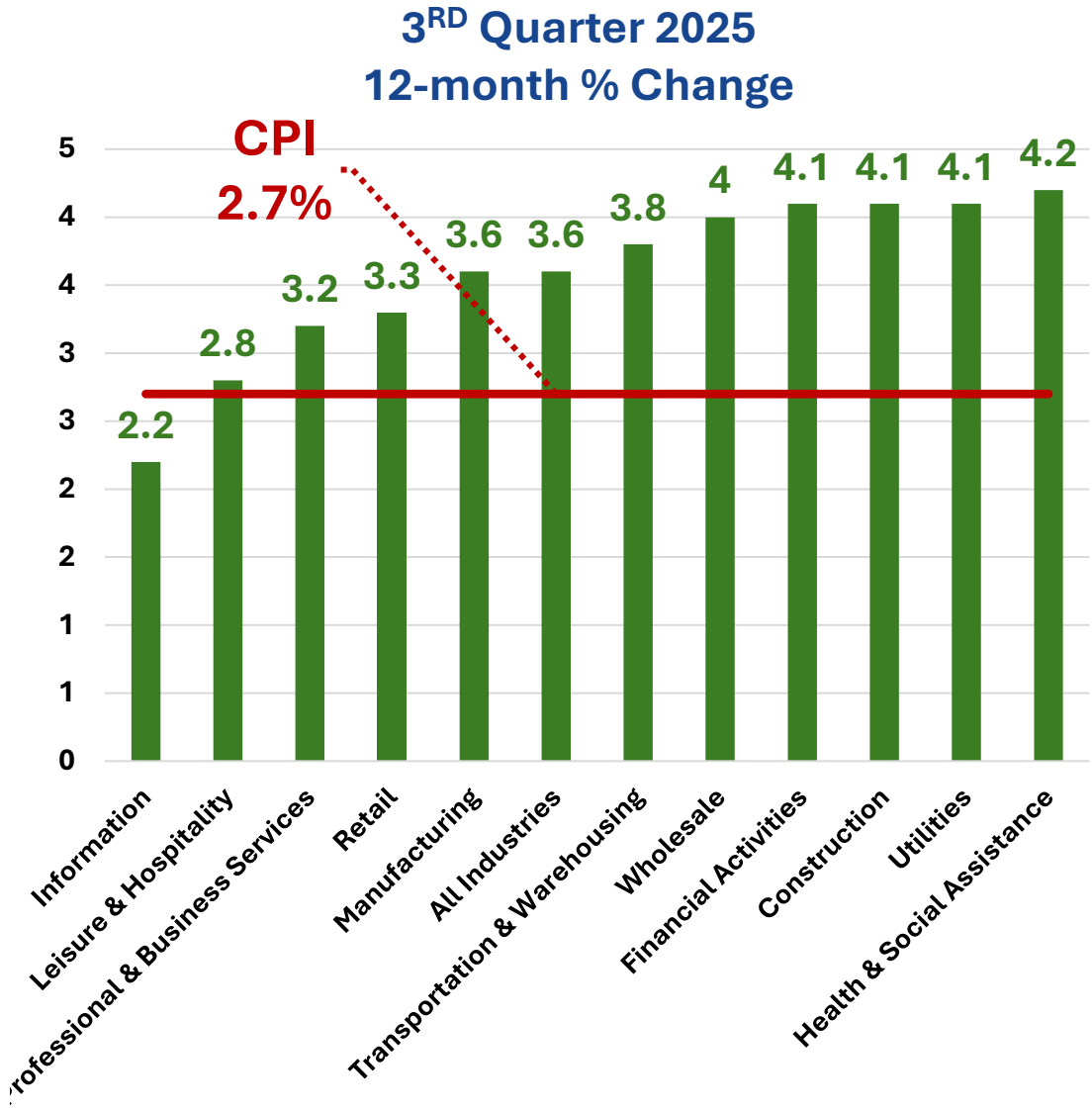
Inflation: 12-Month Percent Change



Source: US Bureau of Labor Statistics. Consumer Price Index. US Bureau of Economic Analysis. PCE.

U.S. Employment Cost Index for Private Workers
Wages and Salaries and Benefits





Source: US Bureau of Labor Statistics.