June 14, 2022

To: Legislative Coordinating Council and Governor Laura Kelly

From: Kansas Legislative Research Department and Division of the Budget

Re: Legislative Adjustments to Consensus Estimates for FY 2022 through FY 2023

Pursuant to KSA 75-6701, the most recent estimates of State General Fund (SGF) receipts for FY 2022 and FY 2023 have been adjusted to reflect the fiscal impact of legislation involving receipts to the SGF enacted during the 2022 Legislative Session subsequent to the Consensus Revenue Estimate (CRE) made on April 20, 2022 (see Table 1).

Estimated receipts for the two fiscal years combined were decreased by $1.7 billion relative to the April 20 estimate. Of this amount, a reduction of $260.5 million is attributable to total taxes, and a decrease of $1.4 billion is attributable to other revenues. FY 2022 receipts were decreased $1.1 billion, and FY 2023 receipts were decreased $548.7 million.

Tables 2–3 show changes by source for each fiscal year and incorporate those changes into the overall estimate for that year. Table 2 establishes the final estimate for FY 2022 and Table 3 establishes the new baseline estimate for FY 2023 that will be revised again in the fall.

Tables 4–5 provide more specific information on the legislative adjustments by bill and by source for each fiscal year.

A final section of this report discusses the implications for SGF receipts in FY 2024 and subsequent years relative to certain upcoming changes in law.

The Consensus Revenue Estimating Group will meet again prior to December 4 to consider revisions to the newly adjusted FY 2023 estimate and issue the initial estimate for FY 2024.

FY 2022

The following FY 2022 adjustments were made:

- **SB 421**, which provides for transfers from the SGF to the Kansas Public Employees Retirement System (KPERS) Trust Fund, increases net transfers out of the SGF by $853.9 million.
• **HB 2510**, the omnibus appropriations bill, increases net transfers out of the SGF by $254.0 million. Major adjustments include transferring $250.0 million from the SGF to the Budget Stabilization Fund and transferring $4.0 million from the SGF to the Job Creation Program Fund.

**FY 2023**

The following FY 2023 adjustments were made:

- **House Sub. for SB 19**, which implements the 988 Suicide Prevention and Mental Health Crisis Hotline in Kansas, increases net transfers out of the SGF by $10.0 million.

- **House Sub. for Sub. for SB 84**, which legalizes sports wagering in Kansas, increases net transfers into the SGF by $1.8 million.

- **SB 421**, which provides for transfers from the SGF to the KPERS Trust Fund, increases net transfers out of the SGF by $271.1 million.

- **HB 2106**, which phases out the state sales tax on food and food ingredient purchases, reduces sales tax receipts to the SGF by $85.0 million.

- **HB 2136**, which eliminates estimated sales tax remittances and delays the implementation of a sales tax exclusion for separately stated delivery charges, reduces sales tax receipts to the SGF by $114.8 million and compensating use tax receipts to the SGF by $36.3 million.

- **HB 2237**, which creates or amends several tax credits related to housing, historic structures, and child day care services, reduces income, privilege, and premium tax receipts by a total of $24.4 million.

- **HB 2510**, the omnibus appropriations bill, increases net transfers out of the SGF by $10.0 million.

- **Senate Sub. for HB 2567**, the education budget bill, increases net transfers into the SGF by $1.1 million.

**FY 2024 and Thereafter**

**Food Sales Tax Reductions.** Continued reductions in the state sales tax rate on food purchases are expected to reduce sales tax receipts to the SGF by $257.5 million in FY 2024, $437.1 million in FY 2025, and $526.2 million in FY 2026.

**Homestead Refund Program Option.** The newly created Homestead Refund option based upon the base year valuation of qualifying taxpayers, enacted in Senate Sub. for HB 2239, is expected to reduce state receipts by $14.0 million in FY 2024, and $21.6 million in FY
Future years are expected to have similar annual growth in reduced receipts. [Note: The FY 2023 reduction in receipts attributable to this provision of $6.9 million was incorporated in the April 20, 2022, estimate.]

**Housing and Historic Structures Tax Credits.** The Kansas Affordable Housing Investor Tax Credit, provided for in HB 2237, is expected to reduce state receipts by $14.4 million in FY 2024. This amount is expected to increase by $14.4 million per year for 10 years until the program reaches a level of $144.0 million per year. This reduction is in addition to the reduction in state receipts noted above for FY 2023 attributable to other provisions of the bill.

**Property tax relief and revenue sharing.** Current law provides for reinstatement of Local Ad Valorem Tax Reduction Fund transfers from the SGF beginning in FY 2025 at $54.0 million annually and of County and City Revenue Sharing Fund transfers at 2.823 percent of sales and use taxes otherwise credited to the SGF in FY 2025.
## Table 1

**State General Fund Receipts**

(Dollars in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2021 (Actual)</th>
<th>Consensus Estimate June 2022 Legislative Adj.</th>
<th>FY 2022 (Revised)</th>
<th>FY 2023 (Revised)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percent Change</td>
<td>Amount</td>
<td>Percent Change</td>
</tr>
<tr>
<td><strong>Income Taxes:</strong></td>
<td>$4,590,261</td>
<td>37.5 %</td>
<td>$4,500,000</td>
<td>(2.0) %</td>
</tr>
<tr>
<td>Individual</td>
<td>$652,286</td>
<td>69.7 %</td>
<td>$725,000</td>
<td>11.1 %</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>75,149</td>
<td>62.7 %</td>
<td>$61,000</td>
<td>(18.8) %</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$5,317,696</td>
<td>41.1 %</td>
<td>$5,286,000</td>
<td>(0.6) %</td>
</tr>
<tr>
<td><strong>Sales &amp; Use Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Sales</td>
<td>$2,522,553</td>
<td>7.2 %</td>
<td>$2,725,000</td>
<td>8.0 %</td>
</tr>
<tr>
<td>Compensating Use</td>
<td>602,967</td>
<td>25.9 %</td>
<td>$790,000</td>
<td>31.0 %</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,125,520</td>
<td>10.4 %</td>
<td>$3,515,000</td>
<td>12.5 %</td>
</tr>
<tr>
<td><strong>Other Excise Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cigarette</td>
<td>$113,491</td>
<td>(2.5) %</td>
<td>$108,000</td>
<td>(4.8) %</td>
</tr>
<tr>
<td>Tobacco Products</td>
<td>9,919</td>
<td>8.0 %</td>
<td>10,100</td>
<td>1.8</td>
</tr>
<tr>
<td>Liquor Gallonage</td>
<td>24,721</td>
<td>12.5 %</td>
<td>24,400</td>
<td>(1.3) %</td>
</tr>
<tr>
<td>Liquor Enforcement</td>
<td>81,342</td>
<td>8.9 %</td>
<td>83,400</td>
<td>2.5</td>
</tr>
<tr>
<td>Liquor Drink</td>
<td>10,321</td>
<td>(0.3) %</td>
<td>13,400</td>
<td>29.8</td>
</tr>
<tr>
<td>Gas</td>
<td>3,913</td>
<td>904.0 %</td>
<td>22,500</td>
<td>475.0</td>
</tr>
<tr>
<td>Oil</td>
<td>12,928</td>
<td>(36.3) %</td>
<td>35,700</td>
<td>176.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$256,635</td>
<td>1.3 %</td>
<td>$297,500</td>
<td>15.9 %</td>
</tr>
<tr>
<td><strong>Other Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance Premiums</td>
<td>$181,941</td>
<td>5.5 %</td>
<td>$196,000</td>
<td>7.7 %</td>
</tr>
<tr>
<td>Motor Carrier</td>
<td>13,536</td>
<td>8.3 %</td>
<td>13,000</td>
<td>(4.0) %</td>
</tr>
<tr>
<td>Corporate Franchise</td>
<td>9,859</td>
<td>40.0 %</td>
<td>8,000</td>
<td>(18.9) %</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>3,422</td>
<td>(0.1) %</td>
<td>4,500</td>
<td>31.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$208,758</td>
<td>6.8 %</td>
<td>$221,500</td>
<td>6.1 %</td>
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<tr>
<td><strong>Total Taxes</strong></td>
<td>$8,908,609</td>
<td>26.4 %</td>
<td>$9,320,000</td>
<td>4.6 %</td>
</tr>
<tr>
<td><strong>Other Revenues &amp; Receipts:</strong></td>
<td>$7,798</td>
<td>(86.1) %</td>
<td>$2,800</td>
<td>(64.1) %</td>
</tr>
<tr>
<td>Transfers &amp; Other Receipts</td>
<td>(113,550)</td>
<td>54.8 %</td>
<td>(1,701,100)</td>
<td>(1,398.1)</td>
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<tr>
<td>Agency Earnings</td>
<td>63,089</td>
<td>35.8 %</td>
<td>73,300</td>
<td>16.2</td>
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<td><strong>Total</strong></td>
<td>$42,664</td>
<td>71.3 %</td>
<td>$(1,625,000)</td>
<td>(3,708.9) %</td>
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<tr>
<td><strong>Total Receipts</strong></td>
<td>$8,865,945</td>
<td>28.5 %</td>
<td>$7,695,000</td>
<td>(13.2) %</td>
</tr>
<tr>
<td></td>
<td>FY 2022 CRE Est. Revised 04/20/2022</td>
<td>FY 2022 CRE Est. Revised 06/14/2022</td>
<td>Difference</td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td>------------------------------------</td>
<td>------------------------------------</td>
<td>------------</td>
<td></td>
</tr>
<tr>
<td><strong>Income Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual</td>
<td>$4,500,000</td>
<td>$4,500,000</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Corporation</td>
<td>725,000</td>
<td>725,000</td>
<td>0%</td>
<td></td>
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<tr>
<td>Financial Institutions</td>
<td>61,000</td>
<td>61,000</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$5,286,000</td>
<td>$5,286,000</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>Sales &amp; Use Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Sales</td>
<td>$2,725,000</td>
<td>$2,725,000</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Compensating Use</td>
<td>790,000</td>
<td>790,000</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$3,515,000</td>
<td>$3,515,000</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td><strong>Other Excise Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cigarette</td>
<td>$108,000</td>
<td>$108,000</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Tobacco Products</td>
<td>10,100</td>
<td>10,100</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Liquor Gallonage</td>
<td>24,400</td>
<td>24,400</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Liquor Enforcement</td>
<td>83,400</td>
<td>83,400</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Liquor Drink</td>
<td>13,400</td>
<td>13,400</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Gas Severance</td>
<td>22,500</td>
<td>22,500</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Oil Severance</td>
<td>35,700</td>
<td>35,700</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$297,500</td>
<td>$297,500</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td><strong>Other Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance Premiums</td>
<td>$196,000</td>
<td>$196,000</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Motor Carrier</td>
<td>13,000</td>
<td>13,000</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Corporate Franchise</td>
<td>8,000</td>
<td>8,000</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4,500</td>
<td>4,500</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$221,500</td>
<td>$221,500</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Taxes:</strong></td>
<td>$9,320,000</td>
<td>$9,320,000</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td><strong>Other Revenues &amp; Receipts:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>$2,800</td>
<td>$2,800</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Transfers &amp; Other Receipts</td>
<td>$(593,200)</td>
<td>$(1,701,100)</td>
<td>$(1,107,900)</td>
<td></td>
</tr>
<tr>
<td>Agency Earnings</td>
<td>73,300</td>
<td>73,300</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$(517,100)</td>
<td>$(1,625,000)</td>
<td>$(1,107,900)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td>$8,802,900</td>
<td>$7,695,000</td>
<td>$(1,107,900)</td>
<td>(12.6)%</td>
</tr>
</tbody>
</table>
## Table 3
### State General Fund Receipts
#### FY 2023 Revised
Comparison of June 2022 Estimate to April 2022 Estimate

(Dollars in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2023 CRE Est. Revised 04/20/2022</th>
<th>FY 2023 CRE Est. Revised 06/14/2022</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual</td>
<td>$4,670,000</td>
<td>$4,661,600</td>
<td>$ (8,400)</td>
</tr>
<tr>
<td>Corporation</td>
<td>655,000</td>
<td>650,000</td>
<td>(5,000) (0.8)%</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>55,000</td>
<td>46,000</td>
<td>(9,000) (16.4)%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$5,380,000</td>
<td>$5,357,600</td>
<td>$ (22,400) (0.4)%</td>
</tr>
<tr>
<td><strong>Sales &amp; Use Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Sales</td>
<td>$2,800,000</td>
<td>$2,600,200</td>
<td>$ (199,800) (7.1)%</td>
</tr>
<tr>
<td>Compensating Use</td>
<td>850,000</td>
<td>813,700</td>
<td>(36,300) (4.3)%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,650,000</td>
<td>$3,413,900</td>
<td>$ (236,100) (6.5)%</td>
</tr>
<tr>
<td><strong>Other Excise Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cigarette</td>
<td>$104,000</td>
<td>$104,000</td>
<td>- (0)%</td>
</tr>
<tr>
<td>Tobacco Products</td>
<td>10,300</td>
<td>10,300</td>
<td>-</td>
</tr>
<tr>
<td>Liquor Gallonage</td>
<td>24,700</td>
<td>24,700</td>
<td>-</td>
</tr>
<tr>
<td>Liquor Enforcement</td>
<td>85,500</td>
<td>85,500</td>
<td>-</td>
</tr>
<tr>
<td>Liquor Drink</td>
<td>13,700</td>
<td>13,700</td>
<td>-</td>
</tr>
<tr>
<td>Gas Severance</td>
<td>16,700</td>
<td>16,700</td>
<td>-</td>
</tr>
<tr>
<td>Oil Severance</td>
<td>34,900</td>
<td>34,900</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$289,800</td>
<td>$289,800</td>
<td>- (0)%</td>
</tr>
<tr>
<td><strong>Other Taxes:</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Insurance Premiums</td>
<td>$201,000</td>
<td>$199,000</td>
<td>$ (2,000) (1.0)%</td>
</tr>
<tr>
<td>Motor Carrier</td>
<td>13,000</td>
<td>13,000</td>
<td>-</td>
</tr>
<tr>
<td>Corporate Franchise</td>
<td>8,000</td>
<td>8,000</td>
<td>-</td>
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<tr>
<td>Miscellaneous</td>
<td>4,600</td>
<td>4,600</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$226,600</td>
<td>$224,600</td>
<td>$ (2,000) (0.9)%</td>
</tr>
<tr>
<td><strong>Total Taxes</strong></td>
<td>$9,546,400</td>
<td>$9,285,900</td>
<td>$ (260,500) (2.7)%</td>
</tr>
<tr>
<td><strong>Other Revenues &amp; Receipts:</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>$50,000</td>
<td>$50,000</td>
<td>- (0)%</td>
</tr>
<tr>
<td>Transfers &amp; Other Receipts</td>
<td>(232,300)</td>
<td>(520,500)</td>
<td>(288,200) (124.1)%</td>
</tr>
<tr>
<td>Agency Earnings</td>
<td>91,600</td>
<td>91,600</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$(90,700)</td>
<td>$(378,900)</td>
<td>$(288,200) (317.8)%</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td>$9,455,700</td>
<td>$8,907,000</td>
<td>$ (548,700) (5.8)%</td>
</tr>
</tbody>
</table>
### Table 4 - Legislative Adjustments by Bill by Source to FY 2022 Estimates ($ in millions)

<table>
<thead>
<tr>
<th>Bill</th>
<th>Individual</th>
<th>Corporate</th>
<th>Privilege</th>
<th>Sales</th>
<th>Use</th>
<th>Insurance</th>
<th>Transfers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SB 421 KPERS Bill</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>$ (853.866)</td>
<td>$ (853.866)</td>
</tr>
<tr>
<td>HB 2510 Omnibus Budget Bill</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>$ (254.034)</td>
<td>$ (254.034)</td>
</tr>
<tr>
<td>Total</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>$ (1,107.900)</td>
<td>$ (1,107.900)</td>
</tr>
</tbody>
</table>

### Table 5 - Legislative Adjustments by Bill by Source to FY 2023 Estimates ($ in millions)

<table>
<thead>
<tr>
<th>Bill</th>
<th>Individual</th>
<th>Corporate</th>
<th>Privilege</th>
<th>Sales</th>
<th>Use</th>
<th>Insurance</th>
<th>Transfers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SB 421 KPERS Bill</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>$ (10.000)</td>
<td>$ (10.000)</td>
</tr>
<tr>
<td>HB 2106 Food Sales Tax</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>(85.000)</td>
<td>--</td>
<td>--</td>
<td>$ (271.134)</td>
<td>$ (271.134)</td>
</tr>
<tr>
<td>HB 2136 Storefront/Sales Tax Filing</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>(114.800)</td>
<td>(36.300)</td>
<td>--</td>
<td>$ (151.100)</td>
<td></td>
</tr>
<tr>
<td>HB 2237 Child Care/Housing Credits</td>
<td>(8.400)</td>
<td>(5.000)</td>
<td>(9.000)</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>(24.400)</td>
<td></td>
</tr>
<tr>
<td>HB 2510 Omnibus Budget Bill</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>(9.966)</td>
<td></td>
</tr>
<tr>
<td>HB 2567 Education Bill</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>1.100</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>(8.400)</td>
<td>(5.000)</td>
<td>(9.000)</td>
<td>(199.800)</td>
<td>(36.300)</td>
<td>(2.000)</td>
<td>(288.200)</td>
<td></td>
</tr>
</tbody>
</table>

Cumulative FY 2022 + FY 2023: $(1,656.600)

Kansas Legislative Research Department

Legislative Adjustments to Consensus Estimates for FY 2022 through FY 2023 – June 14, 2022