



**Kansas Legislative Research Department**

*Providing nonpartisan, objective research and fiscal analysis for the Kansas Legislature since 1934*

68-West-Statehouse | 300 SW 10th Ave. | Topeka, Kansas 66612-1504  
(785) 296-3181

kslegres@klrd.ks.gov

kslegislature.org/klrd

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**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 2024 and FY 2025

Pursuant to KSA 75-6701, the most recent estimates of State General Fund (SGF) receipts for FY 2024 and FY 2025 have been adjusted to reflect the fiscal impact of legislation involving receipts to the SGF enacted during the 2024 Legislative Session subsequent to the Consensus Revenue Estimate (CRE) made on April 19, 2024 (see Table 1).

Estimated receipts for the two fiscal years combined were decreased by \$135.7 million relative to the April 19 estimate. Of this amount, a reduction of \$67.9 million is attributable to total taxes, and a decrease of \$67.8 million is attributable to other revenues. FY 2024 receipts were decreased by \$0.6 million and FY 2025 receipts were decreased by \$135.1 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 newly revised estimate for FY 2024 and Table 3 establishes the new baseline estimate for FY 2025 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 2026 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 2025 estimate and issue the initial estimate for FY 2026. If action is taken at a Special Session of the Legislature to further impact receipts, a subsequent memorandum adjusting the receipt estimates will be issued.

## FY 2024

The following FY 2024 adjustments were made:

- **SB 28**, the mega appropriations bill, increases net transfers out of the SGF by \$600,000, attributable to transferring that amount from the SGF to the Medicaid Fraud Prosecution Revolving Fund.

## FY 2025

The following FY 2025 adjustments were made:

- **SB 28**, the mega appropriations bill, increases net transfers out of the SGF by \$42.8 million, primarily attributable to the transfer to the State Water Plan Fund.
- **House Sub. for SB 387**, the school finance bill, increases net transfers into the SGF by \$1.1 million, attributable to the transfers from the State Safety Fund to the SGF.
- **SB 410**, which modifies tax law related to certain net operating losses and expenses associated with federal employment tax credits, reduces individual income tax receipts to the SGF by \$22.1 million, corporation income tax receipts to the SGF by \$16.0 million, and increases net transfers out of the SGF by \$1.3 million. Most of these reductions are one-time reductions in FY 2025 only.
- **HB 2098**, which creates several new sales tax exemptions, reduces retail sales tax receipts to the SGF by \$16.8 million.
- **HB 2465**, which creates a tax credit for contributions to certain pregnancy centers, a sales tax exemption for such pregnancy centers, and increases the state's adoption tax credit and provides for adoption savings accounts, reduces individual income tax receipts to the SGF by \$10.2 million, reduces corporation income tax receipts to the SGF by \$2.5 million, and reduces sales tax receipts to the SGF by \$300,000.
- **HB 2551**, the omnibus appropriations bill, increases net transfers out of the SGF by \$24.2 million, primarily attributable to the transfer to the State Water Plan Fund and transfers to funds associated with economic development incentives as a part of the Attracting Powerful Economic Expansion (APEX) program.

## FY 2026 and Thereafter

**Higher Education Deferred Maintenance.** Transfers from the State General Fund in an amount of \$32.7 million per year for higher education deferred maintenance expenditures are scheduled to begin in FY 2026, pursuant to 2024 SB 18.

**Disabled Veterans Sales Tax Exemption.** HB 2098, enacted in 2024, provides for a sales tax exemption for certain disabled veterans, which takes effect in July 2026 and will begin reducing sales tax receipts to the SGF by \$9.1 million per year in FY 2027.

**Food Sales Tax Reductions.** Further reductions in the state sales tax rate on food and food ingredients, provided for by 2022 HB 2106, are expected to reduce sales tax receipts to the SGF by \$526.2 million in FY 2026. [Note: The FY 2024 reduction in receipts of \$257.5 million and the FY 2025 reduction in receipts of \$437.1 million attributable to these rate changes were previously incorporated in the estimate.]

**Housing and Historic Structures Tax Credits.** The Kansas Affordable Housing Investor Tax Credit, provided for in 2022 HB 2237, is expected to begin reducing state receipts in either FY 2026 or FY 2027. This reduction in receipts is anticipated to be at least \$25.0 million in the first year and will grow for 10 years based on the utilization of the credits.

**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 2029 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 2027.

**Table 1**  
**State General Fund Receipts**  
*(Dollars in Thousands)*

	Consensus Estimate May 23, 2024					
	FY 2023 (Actual)		FY 2024 (Revised)		FY 2025 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
<b>Income Taxes:</b>						
Individual	\$ 4,507,007	5.4 %	\$ 4,475,000	(0.7) %	\$ 4,597,700	2.7 %
Corporation	1,504,575	23.6	1,520,000	1.0	1,561,500	2.7
Financial Institutions	56,944	(17.2)	49,000	(14.0)	50,000	2.0
<b>Total</b>	<b>\$ 6,068,526</b>	<b>7.3 %</b>	<b>\$ 6,044,000</b>	<b>(0.4) %</b>	<b>\$ 6,209,200</b>	<b>2.7 %</b>
<b>Excise Taxes:</b>						
Retail Sales	\$ 2,776,857	9.4 %	\$ 2,675,000	(3.7) %	\$ 2,532,900	(5.3) %
Compensating Use	802,991	28.5	855,000	6.5	885,000	3.5
<b>Total</b>	<b>\$ 3,579,848</b>	<b>13.1 %</b>	<b>\$ 3,530,000</b>	<b>12.5 %</b>	<b>\$ 3,417,900</b>	<b>12.5 %</b>
<b>Other Excise Taxes:</b>						
Cigarette	\$ 98,453	(3.6) %	\$ 91,000	(7.6) %	\$ 85,000	(6.6) %
Tobacco Products	10,358	2.6	10,600	2.3	10,900	2.8
Liquor Gallonage	24,351	(0.7)	24,100	(1.0)	24,000	(0.4)
Liquor Enforcement	83,675	2.0	84,000	0.4	84,500	0.6
Liquor Drink	14,951	33.3	15,400	3.0	16,000	3.9
Gas Severance	20,890	432.3	(1,900)	(109.1)	4,000	(310.5)
Oil Severance	37,234	173.4	26,600	(28.6)	28,400	6.8
<b>Total</b>	<b>\$ 289,914</b>	<b>15.7 %</b>	<b>\$ 249,800</b>	<b>(13.8) %</b>	<b>\$ 252,800</b>	<b>1.2 %</b>
<b>Other Taxes:</b>						
Insurance Premiums	\$ 195,541	7.9 %	\$ 221,000	13.0 %	\$ 231,500	4.8 %
Motor Carrier	11,982	(4.5)	11,900	(0.7)	11,800	(0.8)
Corporate Franchise	9,191	(14.2)	9,100	(1.0)	9,100	--
Miscellaneous	5,226	31.2	5,900	12.9	6,300	6.8
<b>Total</b>	<b>\$ 221,940</b>	<b>6.5 %</b>	<b>\$ 247,900</b>	<b>11.7 %</b>	<b>\$ 258,700</b>	<b>4.4 %</b>
<b>Total Taxes</b>	<b>\$ 10,160,227</b>	<b>9.5 %</b>	<b>\$ 10,071,700</b>	<b>(0.9) %</b>	<b>\$ 10,138,600</b>	<b>0.7 %</b>
<b>Other Revenues &amp; Receipts:</b>						
Interest	\$ 200,484	(63.8) %	\$ 381,400	90.2 %	\$ 351,000	(8.0) %
Transfers & Other Receipts	(1,194,467)	(1,586.3)	(372,200)	(68.8)	(325,200)	(12.6)
Agency Earnings	116,566	10.9	101,700	(12.8)	104,000	2.3
<b>Total</b>	<b>\$ (877,417)</b>	<b>(4,217.6) %</b>	<b>\$ 110,900</b>	<b>(112.6) %</b>	<b>\$ 129,800</b>	<b>17.0 %</b>
<b>Total Receipts</b>	<b>\$ 9,282,810</b>	<b>(10.7) %</b>	<b>\$ 10,182,600</b>	<b>9.7 %</b>	<b>\$ 10,268,400</b>	<b>0.8 %</b>

**Table 2**  
**State General Fund Receipts**  
**FY 2024 Revised**  
**Comparison of May 2024 Estimate to April 2024 Estimate**  
*(Dollars in Thousands)*

	FY 2024 CRE Est.	FY 2024 CRE Est.	Difference	
	Revised 4/19/2024	Revised 5/23/2024	Amount	Pct. Chg.
<b>Income Taxes:</b>				
Individual	\$ 4,475,000	\$ 4,475,000	\$ --	-- %
Corporation	1,520,000	1,520,000	--	--
Financial Institutions	49,000	49,000	--	--
<b>Total</b>	<b>\$ 6,044,000</b>	<b>\$ 6,044,000</b>	<b>\$ --</b>	<b>-- %</b>
<b>Sales &amp; Use Taxes:</b>				
Retail Sales	\$ 2,675,000	\$ 2,675,000	\$ --	-- %
Compensating Use	855,000	855,000	--	--
<b>Total</b>	<b>\$ 3,530,000</b>	<b>\$ 3,530,000</b>	<b>\$ --</b>	<b>-- %</b>
<b>Other Excise Taxes:</b>				
Cigarette	\$ 91,000	\$ 91,000	\$ --	-- %
Tobacco Products	10,600	10,600	--	--
Liquor Gallonage	24,100	24,100	--	--
Liquor Enforcement	84,000	84,000	--	--
Liquor Drink	15,400	15,400	--	--
Gas Severance	(1,900)	(1,900)	--	--
Oil Severance	26,600	26,600	--	--
<b>Total</b>	<b>\$ 249,800</b>	<b>\$ 249,800</b>	<b>\$ --</b>	<b>-- %</b>
<b>Other Taxes:</b>				
Insurance Premiums	\$ 221,000	\$ 221,000	\$ --	-- %
Motor Carrier	11,900	11,900	--	--
Corporate Franchise	9,100	9,100	--	--
Miscellaneous	5,900	5,900	--	--
<b>Total</b>	<b>\$ 247,900</b>	<b>\$ 247,900</b>	<b>\$ --</b>	<b>-- %</b>
<b>Total Taxes</b>	<b>\$ 10,071,700</b>	<b>\$ 10,071,700</b>	<b>\$ --</b>	<b>-- %</b>
<b>Other Revenues &amp; Receipts:</b>				
Interest	\$ 381,400	\$ 381,400	\$ --	-- %
Transfers & Other Receipts	(371,600)	(372,200)	(600)	(0.2)
Agency Earnings	101,700	101,700	--	--
<b>Total</b>	<b>\$ 111,500</b>	<b>\$ 110,900</b>	<b>\$ (600)</b>	<b>(0.5) %</b>
<b>Total Receipts</b>	<b>\$ 10,183,200</b>	<b>\$ 10,182,600</b>	<b>\$ (600)</b>	<b>(0.0) %</b>

**Table 3**  
**State General Fund Receipts**  
**FY 2025 Revised**  
**Comparison of May 2024 Estimate to April 2024 Estimate**  
*(Dollars in Thousands)*

	FY 2025 CRE Est.	FY 2025 CRE Est.	Difference	
	Revised 4/19/2024	Revised 5/23/2024	Amount	Pct. Chg.
<b>Income Taxes:</b>				
Individual	\$ 4,630,000	\$ 4,597,700	\$ (32,300)	(0.7) %
Corporation	1,580,000	1,561,500	(18,500)	(1.2)
Financial Institutions	50,000	50,000	--	--
<b>Total</b>	<b>\$ 6,260,000</b>	<b>\$ 6,209,200</b>	<b>\$ (50,800)</b>	<b>(0.8) %</b>
<b>Sales &amp; Use Taxes:</b>				
Retail Sales	\$ 2,550,000	\$ 2,532,900	\$ (17,100)	(0.7) %
Compensating Use	885,000	885,000	--	--
<b>Total</b>	<b>\$ 3,435,000</b>	<b>\$ 3,417,900</b>	<b>\$ (17,100)</b>	<b>(0.5) %</b>
<b>Other Excise Taxes:</b>				
Cigarette	\$ 85,000	\$ 85,000	\$ --	-- %
Tobacco Products	10,900	10,900	--	--
Liquor Gallonage	24,000	24,000	--	--
Liquor Enforcement	84,500	84,500	--	--
Liquor Drink	16,000	16,000	--	--
Gas Severance	4,000	4,000	--	--
Oil Severance	28,400	28,400	--	--
<b>Total</b>	<b>\$ 252,800</b>	<b>\$ 252,800</b>	<b>\$ --</b>	<b>-- %</b>
<b>Other Taxes:</b>				
Insurance Premiums	\$ 231,500	\$ 231,500	\$ --	-- %
Motor Carrier	11,800	11,800	--	--
Corporate Franchise	9,100	9,100	--	--
Miscellaneous	6,300	6,300	--	--
<b>Total</b>	<b>\$ 258,700</b>	<b>\$ 258,700</b>	<b>\$ --</b>	<b>-- %</b>
<b>Total Taxes</b>	<b>\$ 10,206,500</b>	<b>\$ 10,138,600</b>	<b>\$ (67,900)</b>	<b>(0.7) %</b>
<b>Other Revenues &amp; Receipts:</b>				
Interest	\$ 351,000	\$ 351,000	\$ --	-- %
Transfers & Other Receipts	(258,000)	(325,200)	(67,200)	(26.0)
Agency Earnings	104,000	104,000	--	--
<b>Total</b>	<b>\$ 197,000</b>	<b>\$ 129,800</b>	<b>\$ (67,200)</b>	<b>(34.1) %</b>
<b>Total Receipts</b>	<b>\$ 10,403,500</b>	<b>\$ 10,268,400</b>	<b>\$ (135,100)</b>	<b>(1.3) %</b>

<b>Table 4 - Legislative Adjustments by Bill by Source to FY 2024 Estimates</b>		<i>(\$ in millions)</i>				
		<u>Individual</u>	<u>Corporate</u>	<u>Sales</u>	<u>Transfers</u>	<u>Total</u>
SB 28	Mega Budget Bill	\$ --	\$ --	\$ --	\$ (0.600)	\$ (0.600)
<b>Total</b>		<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ (0.600)</b>	<b>\$ (0.600)</b>

<b>Table 5 - Legislative Adjustments by Bill by Source to FY 2025 Estimates</b>		<i>(\$ in millions)</i>				
		<u>Individual</u>	<u>Corporate</u>	<u>Sales</u>	<u>Transfers</u>	<u>Total</u>
SB 28	Mega Budget Bill	\$ --	\$ --	\$ --	\$ (42.800)	\$ (42.800)
SB 387	Education Budget Bill	--	--	--	1.100	1.100
SB 410	Employment Tax Disallowances	(22.100)	(16.000)	--	(1.300)	(39.400)
HB 2098	Sales Tax Exemptions	--	--	(16.800)	--	(16.800)
HB 2465	Adoption and Pregnancy Tax	(10.200)	(2.500)	(0.300)	--	(13.000)
HB 2551	Omnibus Budget Bill	--	--	--	(24.200)	\$ (24.200)
<b>Total</b>		<b>\$ (32.300)</b>	<b>\$ (18.500)</b>	<b>\$ (17.100)</b>	<b>\$ (67.200)</b>	<b>\$ (135.100)</b>

**Cumulative FY 2024 + FY 2025** **\$ (135.700)**