

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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To: Governor Jeff Colyer, M.D. and Legislative Budget Committee

From: Kansas Legislative Research Department and Kansas Division of the Budget

Re: State General Fund Revenue Estimate for FY 2018 and FY 2019

The Consensus Estimating Group met today to revise the November 2, 2017 State General Fund estimates for FY 2018 and FY 2019. The revisions include the estimated impact of all 2018 legislation signed into law thus far. The impact of legislation affecting the SGF that becomes law after April 20 will be quantified in a separate legislative adjustments report prepared at the conclusion of the *sine die* adjournment. A more detailed memo will be available soon which contains the economic forecast for Kansas upon which the new estimates are based, as well as a discussion of the other factors influencing the individual source estimates.

The overall estimate for FY 2018 and FY 2019 was increased by a combined \$533.8 million. The estimate for total taxes was increased by \$540.4 million, and other revenues were decreased by \$6.6 million for the two years combined.

For FY 2018, the estimate was increased by \$217.1 million, or 3.2 percent, above the November estimate. The estimate for total taxes was increased by \$225.6 million, while the estimate for other revenues was decreased by \$8.5 million. The overall revised estimate of \$7.031 billion represents a 10.9 percent increase above final FY 2017 receipts.

The revised estimate for FY 2019 is \$7.100 billion, which is \$316.7 million, or 4.7 percent, above the previous estimate. The estimate for total taxes was increased by \$314.8 million, while the estimate for other revenues was increased by \$1.9 million. The revised forecast for FY 2019 represents a 1.0 percent increase above the newly revised FY 2018 figure. Additional discussion will be provided in the detailed memo.

The FY 2019 revised estimate includes a total of \$105.2 million for the estimated state fiscal effect of federal tax law changes, including \$84.2 million for individual income taxes and \$21.0 million for corporation income taxes. The estimate was based on a federal Joint Committee on Taxation forecast of the Tax Cuts and Job Act, as adjusted for the Kansas tax code.

Table 1 compares the revised estimates for FY 2018 and FY 2019 with actual receipts from FY 2017. Table 2 shows the changes within the FY 2018 estimate and Table 3 shows the changes within the FY 2019 estimate.

Table 1
State General Fund Receipts
(Dollars in Thousands)

	Consensus Estimate April 20, 2018					
	FY 2017 (Actual)		FY 2018 (Revised)		FY 2019 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax/Fee:						
Motor Carrier	\$ 10,863	(4.5) %	\$ 12,400	14.2 %	\$ 12,100	(2.4) %
Income Taxes:						
Individual	\$ 2,304,027	2.4 %	\$ 3,145,000	36.5 %	\$ 3,334,200	6.0 %
Corporation	324,956	(8.4)	330,000	1.6	351,000	6.4
Financial Institutions	41,138	10.7	42,000	2.1	43,000	2.4
Total	<u>\$ 2,670,122</u>	<u>1.1 %</u>	<u>\$ 3,517,000</u>	<u>31.7 %</u>	<u>\$ 3,728,200</u>	<u>6.0 %</u>
Excise Taxes:						
Retail Sales	\$ 2,285,870	0.5 %	\$ 2,330,000	1.9 %	\$ 2,365,000	1.5 %
Compensating Use	384,654	(0.1)	397,000	3.2	405,000	2.0
Cigarette	130,079	(6.1)	120,000	(7.7)	112,000	(6.7)
Tobacco Products	8,425	4.8	8,600	2.1	8,700	1.2
Cereal Malt Beverage	1,543	9.5	1,400	(9.3)	1,200	(14.3)
Liquor Gallonage	19,438	(1.4)	20,000	2.9	20,200	1.0
Liquor Enforcement	71,528	5.6	73,500	2.8	75,000	2.0
Liquor Drink	11,041	0.9	11,500	4.2	11,600	0.9
Corporate Franchise	7,631	10.9	6,800	(10.9)	6,900	1.5
Severance	42,090	87.9	41,200	(2.1)	36,300	(11.9)
Gas	14,879	149.0	11,800	(20.7)	7,800	(33.9)
Oil	27,211	65.7	29,400	8.0	28,500	(3.1)
Total	<u>\$ 2,962,299</u>	<u>0.9 %</u>	<u>\$ 3,010,000</u>	<u>1.6 %</u>	<u>\$ 3,041,900</u>	<u>1.1 %</u>
Other Taxes:						
Insurance Premiums	\$ 172,291	1.2 %	\$ 171,000	(0.7) %	\$ 163,000	(4.7) %
Miscellaneous	1,352	(3.1)	2,600	92.2	2,800	7.7
Total	<u>\$ 173,644</u>	<u>1.2 %</u>	<u>\$ 173,600</u>	<u>(0.0) %</u>	<u>\$ 165,800</u>	<u>(4.5) %</u>
Total Taxes	<u>\$ 5,816,927</u>	<u>1.0 %</u>	<u>\$ 6,713,000</u>	<u>15.4 %</u>	<u>\$ 6,948,000</u>	<u>3.5 %</u>
Other Revenues & Receipts:						
Interest	\$ 65,633	133.4 %	\$ 18,500	(71.8) %	\$ 20,000	8.1 %
Transfers & Other Receipts	381,794	59.5	254,100	(33.4)	85,200	(66.5)
Agency Earnings	74,706	56.7	45,300	(39.4)	46,900	3.5
Total	<u>\$ 522,132</u>	<u>65.7 %</u>	<u>\$ 317,900</u>	<u>(39.1) %</u>	<u>\$ 152,100</u>	<u>(52.2) %</u>
Total Receipts	<u><u>\$ 6,339,059</u></u>	<u><u>4.4 %</u></u>	<u><u>\$ 7,030,900</u></u>	<u><u>10.9 %</u></u>	<u><u>\$ 7,100,100</u></u>	<u><u>1.0 %</u></u>

Table 2
State General Fund Receipts
FY 2018 Revised
Comparison of April 2018 Estimate to November 2017 Estimate
(Dollars in Thousands)

	FY 2018 CRE Est.	FY 2018 CRE Est.	Difference	
	Revised 11/02/17	Revised 04/20/18	Amount	Pct. Chg.
Property Tax/Fee:				
Motor Carrier	\$ 11,400	\$ 12,400	\$ 1,000	8.8 %
Income Taxes:				
Individual	\$ 2,927,000	\$ 3,145,000	\$ 218,000	7.4 %
Corporation	325,000	330,000	5,000	1.5
Financial Institutions	41,000	42,000	1,000	2.4
Total	\$ 3,293,000	\$ 3,517,000	\$ 224,000	6.8 %
Excise Taxes:				
Retail Sales	\$ 2,330,000	\$ 2,330,000	\$ --	-- %
Compensating Use	395,000	397,000	2,000	0.5
Cigarette	125,000	120,000	(5,000)	(4.0)
Tobacco Products	8,500	8,600	100	1.2
Cereal Malt Beverage	1,400	1,400	--	--
Liquor Gallonage	20,200	20,000	(200)	(1.0)
Liquor Enforcement	74,000	73,500	(500)	(0.7)
Liquor Drink	11,400	11,500	100	0.9
Corporate Franchise	6,800	6,800	--	--
Severance	37,500	41,200	3,700	9.9
Gas	11,800	11,800	--	--
Oil	25,700	29,400	3,700	14.4
Total	\$ 3,009,800	\$ 3,010,000	\$ 200	0.0 %
Other Taxes:				
Insurance Premiums	\$ 171,000	\$ 171,000	\$ --	-- %
Miscellaneous	2,200	2,600	400	18.2
Total	\$ 173,200	\$ 173,600	\$ 400	0.2 %
Total Taxes	\$ 6,487,400	\$ 6,713,000	\$ 225,600	3.5 %
Other Revenues & Receipts:				
Interest	\$ 12,300	\$ 18,500	\$ 6,200	50.4 %
Transfers & Other Receipts	263,200	254,100	(9,100)	(3.5)
Agency Earnings	50,900	45,300	(5,600)	(11.0)
Total	\$ 326,400	\$ 317,900	\$ (8,500)	(2.6) %
Total Receipts	\$ 6,813,800	\$ 7,030,900	\$ 217,100	3.2 %

Table 3
State General Fund Receipts
FY 2019 Revised
Comparison of April 2018 Estimate to November 2017 Estimate
(Dollars in Thousands)

	FY 2019 CRE Est.	FY 2019 CRE Est.	Difference	
	Revised 11/02/17	Revised 04/20/18	Amount	Pct. Chg.
Property Tax/Fee:				
Motor Carrier	\$ 11,500	\$ 12,100	\$ 600	5.2 %
Income Taxes:				
Individual	\$ 3,020,000	\$ 3,334,200	\$ 314,200	10.4 %
Corporation	330,000	351,000	21,000	6.4
Financial Institutions	42,000	43,000	1,000	2.4
Total	<u>\$ 3,392,000</u>	<u>\$ 3,728,200</u>	<u>\$ 336,200</u>	<u>9.9 %</u>
Excise Taxes:				
Retail Sales	\$ 2,375,000	\$ 2,365,000	\$ (10,000)	(0.4) %
Compensating Use	400,000	405,000	5,000	1.3
Cigarette	122,000	112,000	(10,000)	(8.2)
Tobacco Products	8,600	8,700	100	1.2
Cereal Malt Beverage	1,300	1,200	(100)	(7.7)
Liquor Gallonage	20,400	20,200	(200)	(1.0)
Liquor Enforcement	75,000	75,000	--	--
Liquor Drink	11,600	11,600	--	--
Corporate Franchise	6,900	6,900	--	--
Severance	30,000	36,300	6,300	21.0
Gas	8,200	7,800	(400)	(4.9)
Oil	21,800	28,500	6,700	30.7
Total	<u>\$ 3,050,800</u>	<u>\$ 3,041,900</u>	<u>\$ (8,900)</u>	<u>(0.3) %</u>
Other Taxes:				
Insurance Premiums	\$ 176,500	\$ 163,000	\$ (13,500)	(7.6) %
Miscellaneous	2,400	2,800	400	16.7
Total	<u>\$ 178,900</u>	<u>\$ 165,800</u>	<u>\$ (13,100)</u>	<u>(7.3) %</u>
Total Taxes	\$ 6,633,200	\$ 6,948,000	\$ 314,800	4.7 %
Other Revenues & Receipts:				
Interest	\$ 6,200	\$ 20,000	\$ 13,800	222.6 %
Transfers & Other Receipts	95,100	85,200	(9,900)	(10.4)
Agency Earnings	48,900	46,900	(2,000)	(4.1)
Total	<u>\$ 150,200</u>	<u>\$ 152,100</u>	<u>\$ 1,900</u>	<u>1.3 %</u>
Total Receipts	<u>\$ 6,783,400</u>	<u>\$ 7,100,100</u>	<u>\$ 316,700</u>	<u>4.7 %</u>