

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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July 6, 2015

To: Legislative Coordinating Council and Governor Sam Brownback
From: Kansas Legislative Research Department and Division of the Budget
Re: Legislative Adjustments to Consensus Estimates for FY 2015 through FY 2017

Pursuant to KSA 75-6701, the most recent estimates of State General Fund (SGF) receipts for FY 2015, FY 2016 and FY 2017 have been adjusted. These adjustments reflect the fiscal impact of legislation involving receipts to the SGF enacted during the 2015 Legislative Session subsequent to the Consensus Revenue Estimate made on April 20, 2015. The attached tables show changes by source and incorporate those changes into the overall estimates for each fiscal year. Estimated receipts for the three fiscal years combined were increased by \$1.335 billion. FY 2015 receipts were increased by \$18.650 million relative to the April estimate. FY 2016 receipts were increased by \$611.813 million; FY 2017 receipts were increased by \$704.365 million.

An additional section of this report discusses the implications for SGF receipts in FY 2018 and subsequent years relative to legislation enacted in previous years (as well as in 2015).

The Consensus Group will meet again prior to December 4 to consider revisions to the newly adjusted FY 2016 and FY 2017 estimates.

FY 2015

House Sub. for SB 112, the omnibus budget bill, increased net transfers \$19.430 million. The largest adjustment is a reduction of \$19.000 million in a previously scheduled transfer from the SGF for bioscience initiatives.

House Sub. for SB 7, which made appropriations for K-12 school finance, provided for transfers from the SGF to the School District Extraordinary Need Fund, the net amount of which was \$0.780 million.

FY 2016

The following FY 2016 adjustments were made:

Senate Sub. for HB 2109, as amended by House Sub. for SB 270, the combined tax package, increased total SGF receipts by \$384.400 million. Of this amount, \$161.800 million is attributable to an increase in individual income tax receipts; \$150.900 million to an increase in sales tax receipts; \$40.900 million to an increase in cigarette tax receipts; \$25.300 million to an

increase in compensating use tax receipts; \$5.000 million to an increase in corporation income tax receipts; and \$0.500 million to an increase in liquor enforcement tax receipts. Additional details on the components of specific provisions of the tax package may be found in Table 8.

House Sub. for SB 112, the omnibus budget bill, increased net transfers \$258.954 million. Major adjustments included a transfer of \$129.324 million from the State Highway Fund (SHF) to the SGF; the elimination of a previously scheduled transfer of \$54.000 million for local property tax relief; a reduction of \$22.000 million in the transfer for bioscience initiatives; and a transfer of \$17.000 million from the Economic Development Initiatives Fund (EDIF) to the SGF.

House Sub. for SB 7 also provided for a transfer \$1.100 million to the SGF from the State Safety Fund.

SB 14 decreased the amount of court fines, penalties, and forfeitures credited to the SGF as agency earnings by \$0.260 million per year beginning in FY 2016.

HB 2352, which makes a number of changes in insurance law, reduced insurance premium taxes by \$0.611 million.

Senate Sub. for HB 2281 reduced insurance premium taxes by \$31.541 million, attributable to a diversion from the SGF to a new fund of certain privilege fees charged to health maintenance organizations (HMOs).

Senate Sub. for HB 2155, which makes a number of changes in gaming law, reduced bingo tax receipts (miscellaneous taxes) to the SGF by \$0.229 million.

FY 2017

The following FY 2017 adjustments were made:

Senate Sub. for HB 2109, as amended by House Sub. for SB 270, the combined tax package, increased total SGF receipts by \$404.800 million. Of this amount, \$179.700 million is attributable to an increase in individual income tax receipts; \$159.900 million to an increase in sales tax receipts; \$36.400 million to an increase in cigarette tax receipts; \$26.800 million to an increase in compensating use tax receipts; and \$2.000 million to the implementation of a new tax on electronic cigarettes on July 1, 2016.

House Sub. for SB 112, the omnibus budget bill, increased net transfers \$332.430 million. Major adjustments included a transfer from the SHF of \$130.771 million; a reduction of \$62.000 million in the bioscience initiatives transfer; another elimination of \$54.000 million in local property tax relief transfers; elimination of \$35.300 million in local revenue sharing transfers; and a transfer of \$17.000 million from the EDIF.

House Sub. for SB 7 again provided for a \$1.100 million transfer to the SGF from the State Safety Fund.

SB 14 again decreased the agency earnings estimate by \$0.260 million.

HB 2352 again reduced insurance premium taxes by \$0.611 million.

Senate Sub. for HB 2281 reduced insurance premium taxes by \$32.865 million attributable to the HMO privilege fee diversion.

Senate Sub. for HB 2155 again reduced bingo taxes by \$0.229 million.

FY 2018 and Thereafter

Individual Income Tax. Individual income tax receipts will continue to be impacted by an additional rate reduction scheduled to occur in tax year 2018 and by a special formula that could provide for further reductions beginning as early as tax year 2021. Also, the sunset on the Rural Opportunity Zone program, which provides exemptions for certain taxpayers, was extended in the combined tax package from tax year 2017 to tax year 2022.

Property Tax Relief/Revenue Sharing. Current law also provides for reinstatement of Local *Ad Valorem* Tax Reduction Fund transfers from the SGF beginning in FY 2019 at \$54 million annually; and for County and City Revenue Sharing Fund transfers beginning in FY 2019 (at 2.823 percent of sales and use taxes credited to the SGF).

Table 1
State General Fund Receipts
(Dollars in Thousands)

	Consensus Estimate Adjusted for Legislation (July 6, 2015)							
	FY 2014 (Actual)		FY 2015 (Revised)		FY 2016 (Revised)		FY 2017 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax/Fee:								
Motor Carrier	\$ 35,708	23.8 %	\$ 11,000	(69.2) %	\$ 11,000	-- %	\$ 11,000	-- %
Income Taxes:								
Individual	\$ 2,218,239	(24.3) %	\$ 2,280,000	2.8 %	\$ 2,461,800	8.0 %	\$ 2,494,700	1.3 %
Corporation	399,383	7.6	425,000	6.4	445,000	4.7	455,000	2.2
Financial Inst.	32,439	1.1	42,000	29.5	44,000	4.8	46,000	4.5
Total	\$ 2,650,061	(20.5) %	\$ 2,747,000	3.7 %	\$ 2,950,800	7.4 %	\$ 2,995,700	1.5 %
Excise Taxes:								
Retail Sales	\$ 2,102,239	(3.8) %	\$ 2,150,000	2.3 %	\$ 2,390,900	11.2 %	\$ 2,489,900	4.1 %
Compensating Use	344,017	1.2	355,000	3.2	395,300	11.4	416,800	5.4
Cigarette	90,612	(1.4)	89,000	(1.8)	128,900	44.8	123,400	(4.3)
Tobacco Products	7,201	2.0	7,500	4.2	7,700	2.7	7,900	2.6
Cereal Malt Bev.	1,685	(9.2)	1,600	(5.1)	1,600	--	1,600	--
Liquor Gallonage	19,081	0.1	19,000	(0.4)	19,100	0.5	19,200	0.5
Liquor Enforcement	64,538	6.7	66,500	3.0	68,000	2.3	68,500	0.7
Liquor Drink	10,155	3.6	10,600	4.4	10,700	0.9	10,800	0.9
Corp. Franchise	6,632	259.1	6,900	4.0	7,100	2.9	7,300	2.8
Severance	125,758	25.6	96,600	(23.2)	73,800	(23.6)	81,300	10.2
Gas	37,003	14.1	27,800	(24.9)	16,900	(39.2)	18,900	11.8
Oil	88,755	31.1	68,800	(22.5)	56,900	(17.3)	62,400	9.7
Total	\$ 2,771,918	(1.4) %	\$ 2,802,700	1.1 %	\$ 3,103,100	10.7 %	\$ 3,226,700	4.0 %
Other Taxes:								
Insurance Prem.	\$ 172,758	10.1 %	\$ 181,000	4.8 %	\$ 156,848	(13.3) %	\$ 159,524	1.7 %
Miscellaneous	1,634	(18.7)	1,500	(8.2)	1,271	(15.3)	3,271	157.4
Total	\$ 174,392	9.7 %	\$ 182,500	4.6 %	\$ 158,119	(13.4) %	\$ 162,795	3.0 %
Total Taxes	\$ 5,632,080	(11.1) %	\$ 5,743,200	2.0 %	\$ 6,223,019	8.4 %	\$ 6,396,195	2.8 %
Other Revenues:								
Interest	\$ 11,525	4.2 %	\$ 12,000	4.1 %	\$ 17,800	48.3 %	\$ 8,600	(51.7) %
Net Transfers	(39,957)	34.5	132,650	432.0	27,374	(79.4)	17,230	(37.1)
Agency Earnings	49,550	(14.4)	56,500	14.0	56,840	0.6	58,140	2.3
Total	\$ 21,117	166.4 %	\$ 201,150	852.5 %	\$ 102,014	(49.3) %	\$ 83,970	(17.7) %
Total Receipts	<u>\$ 5,653,197</u>	<u>(10.8) %</u>	<u>\$ 5,944,350</u>	<u>5.2 %</u>	<u>\$ 6,325,033</u>	<u>6.4 %</u>	<u>\$ 6,480,165</u>	<u>2.5 %</u>

Table 2
State General Fund Receipts
FY 2015 Revised
Comparison of June 2015 Estimate to April 2015 Estimate
(Dollars in Thousands)

	FY 2015 CRE Est. Revised 04/20/15	FY 2015 CRE Est. Revised 07/06/15	Difference	
			Amount	Pct. Chg.
Property Tax/Fee:				
Motor Carrier	\$ 11,000	\$ 11,000	\$ --	-- %
Income Taxes:				
Individual	\$ 2,280,000	\$ 2,280,000	\$ --	-- %
Corporation	425,000	425,000	--	--
Financial Inst.	42,000	42,000	--	--
Total	\$ 2,747,000	\$ 2,747,000	\$ --	-- %
Excise Taxes:				
Retail Sales	\$ 2,150,000	\$ 2,150,000	\$ --	-- %
Compensating Use	355,000	355,000	--	--
Cigarette	89,000	89,000	--	--
Tobacco Product	7,500	7,500	--	--
Cereal Malt Beverage	1,600	1,600	--	--
Liquor Gallonage	19,000	19,000	--	--
Liquor Enforcement	66,500	66,500	--	--
Liquor Drink	10,600	10,600	--	--
Corporate Franchise	6,900	6,900	--	--
Severance	96,600	96,600	--	--
Gas	27,800	27,800	--	--
Oil	68,800	68,800	--	--
Total	\$ 2,802,700	\$ 2,802,700	\$ --	-- %
Other Taxes:				
Insurance Premium	\$ 181,000	\$ 181,000	\$ --	-- %
Miscellaneous	1,500	1,500	--	--
Total	\$ 182,500	\$ 182,500	\$ --	-- %
Total Taxes	\$ 5,743,200	\$ 5,743,200	\$ --	-- %
Other Revenues:				
Interest	\$ 12,000	\$ 12,000	\$ --	-- %
Net Transfers	114,000	132,650	18,650	16.4
Agency Earnings	56,500	56,500	--	--
Total Other Revenue	\$ 182,500	\$ 201,150	\$ 18,650	10.2 %
Total Receipts	\$ 5,925,700	\$ 5,944,350	\$ 18,650	0.3 %

Table 3
State General Fund Receipts
FY 2016 Revised
Comparison of June 2015 Estimate to April 2015 Estimate
(Dollars in Thousands)

	FY 2016 CRE Est. Revised 04/20/15	FY 2016 CRE Est. Revised 07/06/15	Difference	
			Amount	Pct. Chg.
Property Tax/Fee:				
Motor Carrier	\$ 11,000	\$ 11,000	\$ --	-- %
Income Taxes:				
Individual	\$ 2,300,000	\$ 2,461,800	\$ 161,800	7.0 %
Corporation	440,000	445,000	5,000	1.1
Financial Inst.	44,000	44,000	--	--
Total	\$ 2,784,000	\$ 2,950,800	\$ 166,800	6.0 %
Excise Taxes:				
Retail Sales	\$ 2,240,000	\$ 2,390,900	\$ 150,900	6.7 %
Compensating Use	370,000	395,300	25,300	6.8
Cigarette	88,000	128,900	40,900	46.5
Tobacco Product	7,700	7,700	--	--
Cereal Malt Beverage	1,600	1,600	--	--
Liquor Gallonage	19,100	19,100	--	--
Liquor Enforcement	67,500	68,000	500	0.7
Liquor Drink	10,700	10,700	--	--
Corporate Franchise	7,100	7,100	--	--
Severance	73,800	73,800	--	--
Gas	16,900	16,900	--	--
Oil	56,900	56,900	--	--
Total	\$ 2,885,500	\$ 3,103,100	\$ 217,600	7.5 %
Other Taxes:				
Insurance Premium	\$ 189,000	\$ 156,848	\$ (32,152)	(17.0) %
Miscellaneous	1,500	1,271	(229)	(15.3)
Total	\$ 190,500	\$ 158,119	\$ (32,381)	(17.0) %
Total Taxes	\$ 5,871,000	\$ 6,223,019	\$ 352,019	6.0 %
Other Revenues:				
Interest	\$ 17,800	\$ 17,800	\$ --	-- %
Net Transfers	(232,680)	27,374	260,054	111.8
Agency Earnings	57,100	56,840	(260)	(0.5)
Total Other Revenue	\$ (157,780)	\$ 102,014	\$ 259,794	164.7 %
Total Receipts	\$ 5,713,220	\$ 6,325,033	\$ 611,813	10.7 %

Table 4
State General Fund Receipts
FY 2017 Revised
Comparison of June 2015 Estimate to April 2015 Estimate
(Dollars in Thousands)

	FY 2017 CRE Est. Revised 04/20/15	FY 2017 CRE Est. Revised 07/06/15	Difference	
			Amount	Pct. Chg.
Property Tax/Fee:				
Motor Carrier	\$ 11,000	\$ 11,000	\$ --	-- %
Income Taxes:				
Individual	\$ 2,315,000	\$ 2,494,700	\$ 179,700	7.8 %
Corporation	455,000	455,000	--	--
Financial Inst.	46,000	46,000	--	--
Total	\$ 2,816,000	\$ 2,995,700	\$ 179,700	6.4 %
Excise Taxes:				
Retail Sales	\$ 2,330,000	\$ 2,489,900	\$ 159,900	6.9 %
Compensating Use	390,000	416,800	26,800	6.9
Cigarette	87,000	123,400	36,400	41.8
Tobacco Product	7,900	7,900	--	--
Cereal Malt Beverage	1,600	1,600	--	--
Liquor Gallonage	19,200	19,200	--	--
Liquor Enforcement	68,500	68,500	--	--
Liquor Drink	10,800	10,800	--	--
Corporate Franchise	7,300	7,300	--	--
Severance	81,300	81,300	--	--
Gas	18,900	18,900	--	--
Oil	62,400	62,400	--	--
Total	\$ 3,003,600	\$ 3,226,700	\$ 223,100	7.4 %
Other Taxes:				
Insurance Premium	\$ 193,000	\$ 159,524	\$ (33,476)	(17.3) %
Miscellaneous	1,500	3,271	1,771	118.1
Total	\$ 194,500	\$ 162,795	\$ (31,705)	(16.3) %
Total Taxes	\$ 6,025,100	\$ 6,396,195	\$ 371,095	6.2 %
Other Revenues:				
Interest	\$ 8,600	\$ 8,600	\$ --	-- %
Net Transfers	(316,300)	17,230	333,530	105.4
Agency Earnings	58,400	58,140	(260)	(0.4)
Total Other Revenue	\$ (249,300)	\$ 83,970	\$ 333,270	133.7 %
Total Receipts	\$ 5,775,800	\$ 6,480,165	\$ 704,365	12.2 %

Table 5 - Legislative Adjustments by Bill by Source to FY 2015 Estimates

(\$ in millions)

		<u>Ind Inc</u>	<u>Corp Inc</u>	<u>Sales</u>	<u>Use</u>	<u>Cig</u>	<u>Liq Enf</u>	<u>Ins Prem</u>	<u>Misc Tax</u>	<u>Transfers</u>	<u>Ag Earn</u>	<u>Total</u>
H Sub SB 112	Omnibus Budget Bill									\$19.430		\$19.430
H Sub SB 7	School Finance									(\$0.780)		(\$0.780)
Total										\$18.650		\$18.650

Table 6 - Legislative Adjustments by Bill by Source to FY 2016 Estimates

(\$ in millions)

		<u>Ind Inc</u>	<u>Corp Inc</u>	<u>Sales</u>	<u>Use</u>	<u>Cig</u>	<u>Liq Enf</u>	<u>Ins Prem</u>	<u>Misc Tax</u>	<u>Transfers</u>	<u>Ag Earn</u>	<u>Total</u>
H Sub HB 2109, S Sub HB 270	Combined Tax Package	\$161.800	\$5.000	\$150.900	\$25.300	\$40.900	\$0.500					\$384.400
H Sub SB 112	Omnibus Budget Bill									\$258.954		\$258.954
H Sub SB 7	School Finance									\$1.100		\$1.100
SB 14	Court Fines to SGF										(\$0.260)	(\$0.260)
HB 2352	Insurance							(\$0.611)				(\$0.611)
S Sub HB 2281	HMO Privilege Fees							(\$31.541)				(\$31.541)
S Sub HB 2155	Gaming								(\$0.229)			(\$0.229)
Total		\$161.800	\$5.000	\$150.900	\$25.300	\$40.900	\$0.500	(\$32.152)	(\$0.229)	\$260.054	(\$0.260)	\$611.813

Table 7 - Legislative Adjustments by Bill by Source to FY 2017 Estimates

(\$ in millions)

		<u>Ind Inc</u>	<u>Corp Inc</u>	<u>Sales</u>	<u>Use</u>	<u>Cig</u>	<u>Liq Enf</u>	<u>Ins Prem</u>	<u>Misc Tax</u>	<u>Transfers</u>	<u>Ag Earn</u>	<u>Total</u>
H Sub HB 2109, S Sub HB 270	Combined Tax Package	\$179.700		\$159.900	\$26.800	\$36.400			\$2.000			\$404.800
H Sub SB 112	Omnibus Budget Bill									\$332.430		\$332.430
H Sub SB 7	School Finance									\$1.100		\$1.100
SB 14	Court Fines to SGF										(\$0.260)	(\$0.260)
HB 2352	Insurance							(\$0.611)				(\$0.611)
S Sub HB 2281	HMO Privilege Fees							(\$32.865)				(\$32.865)
S Sub HB 2155	Gaming								(\$0.229)			(\$0.229)
Total		\$179.700	\$0.000	\$159.900	\$26.800	\$36.400	\$0.000	(\$33.476)	\$1.771	\$333.530	(\$0.260)	\$704.365

**Table 8 - Detail on Fiscal Notes of Specific Components
of Combined Tax Package
(\$ in millions)**

	<u>FY 2016</u>	<u>FY 2017</u>
Guaranteed Payments	\$ 23.700	\$ 19.200
Itemized Deductions	97.000	78.600
Amnesty	12.000	0.000
SSN Number Req	3.000	3.000
IDA Credit	(0.300)	(0.300)
Low Income Exclusion	0.000	(19.400)
ROZ Sunset	0.000	0.000
Rate Changes	26.400	98.600
Subtotal - Individual Income	\$ 161.800	\$ 179.700
 Sales Tax Rate	 \$ 140.900	 \$ 159.900
Amnesty	10.000	0.000
Subtotal - Sales	\$ 150.900	\$ 159.900
 Use Tax Rate	 \$ 23.300	 \$ 26.800
Amnesty	2.000	0.000
Subtotal - Use	\$ 25.300	\$ 26.800
 Cigarette	 \$ 40.400	 \$ 36.400
Amnesty	0.500	0.000
Subtotal - Cigarette	\$ 40.900	\$ 36.400
 E-Cigs	 \$ 0.000	 \$ 2.000
 Corp Income (Amnesty)	 5.000	 0.000
 Liq Enforce (Amnesty)	 0.500	 0.000
 Total SGF	 \$ 384.400	 \$ 404.800