

November 2, 2017

To: Governor Sam Brownback and Legislative Coordinating Council

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

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

The Consensus Estimating Group met today to revise the State General Fund revenue estimate for FY 2018 and FY 2019. A more detailed memo will be available soon which contains the economic forecast for Kansas upon which the estimates are based, as well as a discussion of other factors influencing the individual source estimates.

The overall estimate for FY 2018 and FY 2019 was increased by a combined \$229.5 million. The estimate for total taxes was increased by \$224.7 million, and other revenues were increased by \$4.9 million for the two years combined.

For FY 2018, the estimate was increased by \$108.3 million, or 1.6 percent, above the previous estimate (made in April and subsequently adjusted for legislation enacted during the veto session). The estimate for total taxes was increased by \$102.4 million, while the estimate for other revenues was increased \$5.9 million. The overall revised estimate of \$6.814 billion is 7.5 percent above final FY 2017 receipts.

The revised estimate for FY 2019 is \$6.783 billion, which is \$121.2 million, or 1.8 percent, above the previous estimate. The estimate for total taxes was increased by \$122.3 million, while the estimate for other revenues was decreased by \$1.1 million. The revised forecast for FY 2019 represents an 0.4 percent decrease below the newly revised FY 2018 figure. Additional discussion will be provided in the detailed memo.

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)

	FY 2017 (Actual)		Consensus Estimate November 2, 2017			
			FY 2018 (Revised)		FY 2019 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax/Fee:						
Motor Carrier	\$ 10,863	(4.5) %	\$ 11,400	4.9 %	\$ 11,500	0.9 %
Income Taxes:						
Individual	\$ 2,304,027	2.4 %	\$ 2,927,000	27.0 %	\$ 3,020,000	3.2 %
Corporation	324,956	(8.4)	325,000	0.0	330,000	1.5
Financial Inst.	41,138	10.7	41,000	(0.3)	42,000	2.4
Total	\$ 2,670,122	1.1 %	\$ 3,293,000	23.3 %	\$ 3,392,000	3.0 %
Excise Taxes:						
Retail Sales	\$ 2,285,870	0.5 %	\$ 2,330,000	1.9 %	\$ 2,375,000	1.9 %
Compensating Use	384,654	(0.1)	395,000	2.7	400,000	1.3
Cigarette	130,079	(6.1)	125,000	(3.9)	122,000	(2.4)
Tobacco Products	8,425	4.8	8,500	0.9	8,600	1.2
Cereal Malt Beverage	1,543	9.5	1,400	(9.3)	1,300	(7.1)
Liquor Gallonage	19,438	(1.4)	20,200	3.9	20,400	1.0
Liquor Enforcement	71,528	5.6	74,000	3.5	75,000	1.4
Liquor Drink	11,041	0.9	11,400	3.3	11,600	1.8
Corporate Franchise	7,631	10.9	6,800	(10.9)	6,900	1.5
Severance	42,090	87.9	37,500	(10.9)	30,000	(20.0)
Gas	14,879	149.0	11,800	(20.7)	8,200	(30.5)
Oil	27,211	65.7	25,700	(5.6)	21,800	(15.2)
Total	\$ 2,962,299	0.9 %	\$ 3,009,800	1.6 %	\$ 3,050,800	1.4 %
Other Taxes:						
Insurance Premiums	\$ 172,291	1.2 %	\$ 171,000	(0.7) %	\$ 176,500	3.2 %
Miscellaneous	1,352	(3.1)	2,200	62.7	2,400	9.1
Total	\$ 173,644	1.2 %	\$ 173,200	(0.3) %	\$ 178,900	3.3 %
Total Taxes	\$ 5,816,927	1.0 %	\$ 6,487,400	11.5 %	\$ 6,633,200	2.2 %
Other Revenues & Receipts:						
Interest	\$ 65,633	133.4 %	\$ 12,300	(81.3) %	\$ 6,200	(49.6) %
Transfers & Other Receipts	381,794	59.5	263,200	(31.1)	95,100	(63.9)
Agency Earnings	74,706	56.7	50,900	(31.9)	48,900	(3.9)
Total	\$ 522,132	65.7 %	\$ 326,400	(37.5) %	\$ 150,200	(54.0) %
Total Receipts	\$ 6,339,059	4.4 %	\$ 6,813,800	7.5 %	\$ 6,783,400	(0.4) %

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

	FY 2018 CRE Est. as Adj. for Legis.	FY 2018 CRE Est. Revised 11/02/17	Difference	
			Amount	Pct. Chg.
Property Tax/Fee:				
Motor Carrier	\$ 12,000	\$ 11,400	\$ (600)	(5.0) %
Income Taxes:				
Individual	\$ 2,927,000	\$ 2,927,000	\$ --	-- %
Corporation	275,000	325,000	50,000	18.2
Financial Inst.	41,000	41,000	--	--
Total	\$ 3,243,000	\$ 3,293,000	\$ 50,000	1.5 %
Excise Taxes:				
Retail Sales	\$ 2,282,317	\$ 2,330,000	\$ 47,683	2.1 %
Compensating Use	385,000	395,000	10,000	2.6
Cigarette	127,000	125,000	(2,000)	(1.6)
Tobacco Product	8,500	8,500	--	--
Cereal Malt Beverage	1,400	1,400	--	--
Liquor Gallonage	19,900	20,200	300	1.5
Liquor Enforcement	72,500	74,000	1,500	2.1
Liquor Drink	11,200	11,400	200	1.8
Corporate Franchise	6,700	6,800	100	1.5
Severance	36,400	37,500	1,100	3.0
Gas	11,200	11,800	600	5.4
Oil	25,200	25,700	500	2.0
Total	\$ 2,950,917	\$ 3,009,800	\$ 58,883	2.0 %
Other Taxes:				
Insurance Premium	\$ 177,500	\$ 171,000	\$ (6,500)	(3.7) %
Miscellaneous	1,600	2,200	600	37.5
Total	\$ 179,100	\$ 173,200	\$ (5,900)	(3.3) %
Total Taxes	\$ 6,385,017	\$ 6,487,400	\$ 102,383	1.6 %
Other Revenues & Receipts:				
Interest	\$ 200	\$ 12,300	\$ 12,100	6,050.0 %
Transfers & Other Receipts	269,380	263,200	(6,180)	(2.3)
Agency Earnings	50,900	50,900	--	--
Total	\$ 320,480	\$ 326,400	\$ 5,920	1.8 %
Total Receipts	\$ 6,705,497	\$ 6,813,800	\$ 108,303	1.6 %

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

	FY 2019 CRE Est.	FY 2019 CRE Est.	Difference	
	as Adj. for Legis.	Revised 11/02/17	Amount	Pct. Chg.
Property Tax/Fee:				
Motor Carrier	\$ 12,200	\$ 11,500	\$ (700)	(5.7) %
Income Taxes:				
Individual	\$ 3,017,700	\$ 3,020,000	\$ 2,300	0.1 %
Corporation	280,000	330,000	50,000	17.9
Financial Inst.	42,000	42,000	--	--
Total	\$ 3,339,700	\$ 3,392,000	\$ 52,300	1.6 %
Excise Taxes:				
Retail Sales	\$ 2,305,000	\$ 2,375,000	\$ 70,000	3.0 %
Compensating Use	390,000	400,000	10,000	2.6
Cigarette	124,000	122,000	(2,000)	(1.6)
Tobacco Product	8,600	8,600	--	--
Cereal Malt Beverage	1,300	1,300	--	--
Liquor Gallonage	20,100	20,400	300	1.5
Liquor Enforcement	73,500	75,000	1,500	2.0
Liquor Drink	11,400	11,600	200	1.8
Corporate Franchise	6,800	6,900	100	1.5
Severance	32,500	30,000	(2,500)	(7.7)
Gas	9,100	8,200	(900)	(9.9)
Oil	23,400	21,800	(1,600)	(6.8)
Total	\$ 2,973,200	\$ 3,050,800	\$ 77,600	2.6 %
Other Taxes:				
Insurance Premium	\$ 184,000	\$ 176,500	\$ (7,500)	(4.1) %
Miscellaneous	1,800	2,400	600	33.3
Total	\$ 185,800	\$ 178,900	\$ (6,900)	(3.7) %
Total Taxes	\$ 6,510,900	\$ 6,633,200	\$ 122,300	1.9 %
Other Revenues & Receipts:				
Interest	\$ 100	\$ 6,200	\$ 6,100	6,100.0 %
Transfers & Other Receipts	102,260	95,100	(7,160)	(7.0)
Agency Earnings	48,900	48,900	--	--
Total	\$ 151,260	\$ 150,200	\$ (1,060)	(0.7) %
Total Receipts	\$ 6,662,160	\$ 6,783,400	\$ 121,240	1.8 %