

November 7, 2019

To: Governor Laura Kelly and Legislative Coordinating Council
From: Division of the Budget and Kansas Legislative Research Department
Subject: State General Fund Revenue Estimate for FY 2020 and FY 2021

The Consensus Estimating Group met today to revise the State General Fund revenue estimate for FY 2020 and FY 2021. 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. Estimates for the State General Fund are developed using a consensus process that involves the Division of the Budget, Legislative Research Department, Department of Revenue, and three consulting economists from state universities. This estimate is the base from which the Governor and the Legislature build the annual budget. Consensus revenue estimates are based on current federal and state laws and their current interpretation.

The overall estimate for FY 2020 and FY 2021 was increased by a combined \$525.5 million. The estimate for total taxes was increased by \$510.0 million, and other revenues were increased by \$15.5 million for the two years combined.

For FY 2020, the estimate was increased by \$220.4 million, or 3.0 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 \$207.0 million, while the estimate for other revenues was increased by \$13.4 million. The revised estimate of \$7.652 billion represents 3.8 percent above final FY 2019 receipts.

The revised estimate for FY 2021 is \$7.676 billion, which is \$305.1 million, or 4.1 percent, above the previous estimate. The estimate for total taxes was increased by \$303.0 million, while the estimate for other revenues was increased by \$2.1 million. The revised forecast for FY 2021 represents a 0.3 percent increase above the newly revised FY 2020 figure.

Table 1 compares the revised estimates for FY 2020 and FY 2021 with actual receipts from FY 2019. Tables 2 and 3 show the revisions in each fiscal year's estimates.

Table 1
State General Fund Receipts
(Dollars in Thousands)

	Consensus Estimate November 7, 2019					
	FY 2019 (Actual)		FY 2020 (Revised)		FY 2021 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax/Fee:						
Motor Carrier	\$ 11,852	(4.7) %	\$ 12,400	4.6 %	\$ 12,500	0.8 %
Income Taxes:						
Individual	\$3,755,710	11.3 %	\$3,910,000	4.1 %	\$4,065,000	4.0 %
Corporation	437,400	11.5	465,000	6.3	475,000	2.2
Financial Institutions	48,648	6.9	43,000	(11.6)	44,000	2.3
Total	<u>\$4,241,759</u>	<u>11.3 %</u>	<u>\$4,418,000</u>	<u>4.2 %</u>	<u>\$4,584,000</u>	<u>3.8 %</u>
Excise Taxes:						
Retail Sales	\$2,335,436	(0.3) %	\$2,395,000	2.6 %	\$2,430,000	1.5 %
Compensating Use	431,967	6.3	445,000	3.0	475,000	6.7
Cigarette	116,693	(2.8)	110,000	(5.7)	107,000	(2.7)
Tobacco Products	8,968	3.4	8,900	(0.8)	9,000	1.1
Liquor Gallonage	22,080	3.5	21,500	(2.6)	22,000	2.3
Liquor Enforcement	74,267	1.1	74,500	0.3	75,500	1.3
Liquor Drink	12,208	5.7	12,500	2.4	13,000	4.0
Severance	41,696	0.7	20,500	(50.8)	22,000	7.3
Gas	9,905	(23.3)	700	(92.9)	1,700	142.9
Oil	31,791	11.6	19,800	(37.7)	20,300	2.5
Total	<u>\$3,043,314</u>	<u>0.6 %</u>	<u>\$3,087,900</u>	<u>1.5 %</u>	<u>\$3,153,500</u>	<u>2.1 %</u>
Other Taxes:						
Insurance Premiums	\$ 163,283	(4.6) %	\$ 171,500	5.0 %	\$ 171,500	-- %
Corporate Franchise	7,352	(1.8)	7,200	(2.1)	7,200	--
Miscellaneous	3,743	38.7	4,000	6.9	4,200	5.0
Total	<u>\$ 174,378</u>	<u>(3.8) %</u>	<u>\$ 182,700</u>	<u>4.8 %</u>	<u>\$ 182,900</u>	<u>0.1 %</u>
Total Taxes	\$7,471,302	6.3 %	\$7,701,000	3.1 %	\$7,932,900	3.0 %
Other Revenues & Receipts:						
Interest	\$ 48,943	114.8 %	\$ 50,000	2.2 %	\$ 30,000	(40.0) %
Transfers & Other Receipts	(202,361)	(202.0)	(146,600)	27.6	(335,100)	(128.6)
Agency Earnings	50,549	9.8	47,700	(5.6)	47,700	--
Total	<u>\$ (102,870)</u>	<u>(138.5) %</u>	<u>\$ (48,900)</u>	<u>52.5 %</u>	<u>\$ (257,400)</u>	<u>(426.4) %</u>
Total Receipts	<u><u>\$7,368,432</u></u>	<u><u>1.0 %</u></u>	<u><u>\$7,652,100</u></u>	<u><u>3.8 %</u></u>	<u><u>\$7,675,500</u></u>	<u><u>0.3 %</u></u>

Table 2
State General Fund Receipts
FY 2020 Revised
Comparison of November 2019 Estimate to May 2019 Estimate
(Dollars in Thousands)

	FY 2020 CRE Est.	FY 2020 CRE Est.	Difference	
	As Adj. for Legis.	Revised 11/07/19	Amount	Pct. Chg.
Property Tax/Fee:				
Motor Carrier	\$ 12,400	\$ 12,400	\$ --	-- %
Income Taxes:				
Individual	\$ 3,750,000	\$ 3,910,000	\$ 160,000	4.3 %
Corporation	450,000	465,000	15,000	3.3
Financial Institutions	42,000	43,000	1,000	2.4
Total	\$ 4,242,000	\$ 4,418,000	\$ 176,000	4.1 %
Excise Taxes:				
Retail Sales	\$ 2,344,993	\$ 2,395,000	\$ 50,007	2.1 %
Compensating Use	440,000	445,000	5,000	1.1
Cigarette	110,000	110,000	--	--
Tobacco Products	8,900	8,900	--	--
Liquor Gallonage	21,100	21,500	400	1.9
Liquor Enforcement	74,500	74,500	--	--
Liquor Drink	12,200	12,500	300	2.5
Severance	34,700	20,500	(14,200)	(40.9)
Gas	7,500	700	(6,800)	(90.7)
Oil	27,200	19,800	(7,400)	(27.2)
Total	\$ 3,046,393	\$ 3,087,900	\$ 41,507	1.4 %
Other Taxes:				
Insurance Premiums	\$ 182,000	\$ 171,500	\$ (10,500)	(5.8) %
Corporate Franchise	7,400	7,200	(200)	(2.7)
Miscellaneous	3,800	4,000	200	5.3
Total	\$ 193,200	\$ 182,700	\$ (10,500)	(5.4) %
Total Taxes	\$ 7,493,993	\$ 7,701,000	\$ 207,007	2.8 %
Other Revenues & Receipts:				
Interest	\$ 54,000	\$ 50,000	\$ (4,000)	(7.4) %
Transfers & Other Receipts	(167,600)	(146,600)	21,000	12.5
Agency Earnings	51,300	47,700	(3,600)	(7.0)
Total	\$ (62,300)	\$ (48,900)	\$ 13,400	21.5 %
Total Receipts	\$ 7,431,693	\$ 7,652,100	\$ 220,407	3.0 %

Table 3
State General Fund Receipts
FY 2021 Revised
Comparison of November 2019 Estimate to May 2019 Estimate
(Dollars in Thousands)

	FY 2021 CRE Est.	FY 2021 CRE Est.	Difference	
	As Adj. for Legis.	Revised 11/07/19	Amount	Pct. Chg.
Property Tax/Fee:				
Motor Carrier	\$ 12,500	\$ 12,500	\$ --	-- %
Income Taxes:				
Individual	\$ 3,850,000	\$ 4,065,000	\$ 215,000	5.6 %
Corporation	455,000	475,000	20,000	4.4
Financial Institutions	43,000	44,000	1,000	2.3
Total	\$ 4,348,000	\$ 4,584,000	\$ 236,000	5.4 %
Excise Taxes:				
Retail Sales	\$ 2,359,993	\$ 2,430,000	\$ 70,007	3.0 %
Compensating Use	455,000	475,000	20,000	4.4
Cigarette	107,000	107,000	--	--
Tobacco Products	9,000	9,000	--	--
Liquor Gallonage	21,500	22,000	500	2.3
Liquor Enforcement	75,500	75,500	--	--
Liquor Drink	12,300	13,000	700	5.7
Severance	32,600	22,000	(10,600)	(32.5)
Gas	6,800	1,700	(5,100)	(75.0)
Oil	25,800	20,300	(5,500)	(21.3)
Total	\$ 3,072,893	\$ 3,153,500	\$ 80,607	2.6 %
Other Taxes:				
Insurance Premiums	\$ 185,000	\$ 171,500	\$ (13,500)	(7.3) %
Corporate Franchise	7,500	7,200	(300)	(4.0)
Miscellaneous	4,000	4,200	200	5.0
Total	\$ 196,500	\$ 182,900	\$ (13,600)	(6.9) %
Total Taxes	\$ 7,629,893	\$ 7,932,900	\$ 303,007	4.0 %
Other Revenues & Receipts:				
Interest	\$ 55,000	\$ 30,000	\$ (25,000)	(45.5) %
Transfers & Other Receipts	(365,800)	(335,100)	30,700	8.4
Agency Earnings	51,300	47,700	(3,600)	(7.0)
Total	\$ (259,500)	\$ (257,400)	\$ 2,100	0.8 %
Total Receipts	\$ 7,370,393	\$ 7,675,500	\$ 305,107	4.1 %