

April 20, 2020

To: Governor Laura Kelly and Legislative Coordinating Council

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

Re: State General Fund Revenue Estimate for FY 2020 and FY 2021

The Consensus Estimating Group met today to revise the November 7, 2019, State General Fund estimates for FY 2020 and FY 2021. The revisions include the estimated impact of all 2020 legislation signed into law thus far. The impact of any 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. Consensus revenue estimates are based on current federal and state laws and their current interpretation. 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 2020 and FY 2021 was decreased by a combined \$1.272 billion. The estimate for total taxes was decreased by \$1.365 billion, and other revenues were increased by \$93.1 million for the two years combined. This result is heavily influenced by the economic effects of the novel coronavirus outbreak, which had not been part of the November forecast. Focusing on this combined change through the end of FY 2021 provides a more meaningful comparison than looking at the changes for each fiscal year. As will be explained in greater detail in the subsequent memo, significant amounts of receipts have now been assumed to be decelerated from FY 2020 to FY 2021 as a result of extensions to a number of tax filing and payment deadlines. These assumptions had a major impact on the changes since November for each fiscal year.

For FY 2020, the estimate was decreased by \$826.9 million, or 10.8 percent, below the November estimate. The estimate for total taxes was decreased by \$815.6 million, while the estimate for other revenues was decreased by \$11.3 million. The overall revised estimate of \$6.825 billion represents a 7.4 percent decrease below final FY 2019 receipts.

The revised estimate for FY 2021 is \$7.231 billion, which is \$445.0 million, or 5.8 percent, below the previous estimate. The estimate for total taxes was decreased by \$549.4 million, while the estimate for other revenues was increased by \$104.4 million. The revised forecast for FY 2021 represents a 5.9 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 April 20, 2020					
	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) %	\$ 11,800	(0.4) %	\$ 12,700	7.6 %
Income Taxes:						
Individual	\$3,755,710	11.3 %	\$3,290,000	(12.4) %	\$3,770,000	14.6 %
Corporation	437,400	11.5	360,000	(17.7)	370,000	2.8
Financial Institutions	48,648	6.9	40,000	(17.8)	48,000	20.0
Total	<u>\$4,241,759</u>	<u>11.3 %</u>	<u>\$3,690,000</u>	<u>(13.0) %</u>	<u>\$4,188,000</u>	<u>13.5 %</u>
Excise Taxes:						
Retail Sales	\$2,335,436	(0.3) %	\$2,300,000	(1.5) %	\$2,320,000	0.9 %
Compensating Use	431,967	6.3	460,000	6.5	450,000	(2.2)
Cigarette	116,693	(2.8)	110,000	(5.7)	107,000	(2.7)
Tobacco Products	8,968	3.4	9,000	0.4	9,000	--
Liquor Gallonage	22,080	3.5	21,000	(4.9)	21,500	2.4
Liquor Enforcement	74,267	1.1	74,000	(0.4)	75,500	2.0
Liquor Drink	12,208	5.7	9,500	(22.2)	9,000	(5.3)
Severance	41,696	0.7	19,800	(52.5)	7,100	(64.1)
Gas	9,905	(23.3)	400	(96.0)	1,500	275.0
Oil	31,791	11.6	19,400	(39.0)	5,600	(71.1)
Total	<u>\$3,043,314</u>	<u>0.6 %</u>	<u>\$3,003,300</u>	<u>(1.3) %</u>	<u>\$2,999,100</u>	<u>(0.1) %</u>
Other Taxes:						
Insurance Premiums	\$ 163,283	(4.6) %	\$ 172,000	5.3 %	\$ 172,500	0.3 %
Corporate Franchise	7,352	(1.8)	5,000	(32.0)	8,200	64.0
Miscellaneous	3,743	38.7	3,300	(11.8)	3,000	(9.1)
Total	<u>\$ 174,378</u>	<u>(3.8) %</u>	<u>\$ 180,300</u>	<u>3.4 %</u>	<u>\$ 183,700</u>	<u>1.9 %</u>
Total Taxes	<u>\$7,471,302</u>	<u>6.3 %</u>	<u>\$6,885,400</u>	<u>(7.8) %</u>	<u>\$7,383,500</u>	<u>7.2 %</u>
Other Revenues & Receipts:						
Interest	\$ 48,943	114.8 %	\$ 54,300	10.9 %	\$ 500	(99.1) %
Transfers & Other Receipts	(202,361)	(202.0)	(164,500)	18.7	(201,200)	(22.3)
Agency Earnings	50,549	9.8	50,000	(1.1)	47,700	(4.6)
Total	<u>\$ (102,870)</u>	<u>(138.5) %</u>	<u>\$ (60,200)</u>	<u>41.5 %</u>	<u>\$ (153,000)</u>	<u>(154.2) %</u>
Total Receipts	<u><u>\$7,368,432</u></u>	<u><u>1.0 %</u></u>	<u><u>\$6,825,200</u></u>	<u><u>(7.4) %</u></u>	<u><u>\$7,230,500</u></u>	<u><u>5.9 %</u></u>

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

	FY 2020 CRE Est.	FY 2020 CRE Est.	Difference	
	Revised 11/07/19	Revised 04/20/20	Amount	Pct. Chg.
Property Tax/Fee:				
Motor Carrier	\$ 12,400	\$ 11,800	\$ (600)	(4.8) %
Income Taxes:				
Individual	\$ 3,910,000	\$ 3,290,000	\$ (620,000)	(15.9) %
Corporation	465,000	360,000	(105,000)	(22.6)
Financial Institutions	43,000	40,000	(3,000)	(7.0)
Total	\$ 4,418,000	\$ 3,690,000	\$ (728,000)	(16.5) %
Excise Taxes:				
Retail Sales	\$ 2,395,000	\$ 2,300,000	\$ (95,000)	(4.0) %
Compensating Use	445,000	460,000	15,000	3.4
Cigarette	110,000	110,000	--	--
Tobacco Products	8,900	9,000	100	1.1
Liquor Gallonage	21,500	21,000	(500)	(2.3)
Liquor Enforcement	74,500	74,000	(500)	(0.7)
Liquor Drink	12,500	9,500	(3,000)	(24.0)
Severance	20,500	19,800	(700)	(3.4)
Gas	700	400	(300)	(42.9)
Oil	19,800	19,400	(400)	(2.0)
Total	\$ 3,087,900	\$ 3,003,300	\$ (84,600)	(2.7) %
Other Taxes:				
Insurance Premiums	\$ 171,500	\$ 172,000	\$ 500	0.3 %
Corporate Franchise	7,200	5,000	(2,200)	(30.6)
Miscellaneous	4,000	3,300	(700)	(17.5)
Total	\$ 182,700	\$ 180,300	\$ (2,400)	(1.3) %
Total Taxes	\$ 7,701,000	\$ 6,885,400	\$ (815,600)	(10.6) %
Other Revenues & Receipts:				
Interest	\$ 50,000	\$ 54,300	\$ 4,300	8.6 %
Transfers & Other Receipts	(146,600)	(164,500)	(17,900)	(12.2)
Agency Earnings	47,700	50,000	2,300	4.8
Total	\$ (48,900)	\$ (60,200)	\$ (11,300)	(23.1) %
Total Receipts	\$ 7,652,100	\$ 6,825,200	\$ (826,900)	(10.8) %

Table 3
State General Fund Receipts
FY 2021 Revised
Comparison of April 2020 Estimate to November 2019 Estimate
(Dollars in Thousands)

	FY 2021 CRE Est.	FY 2021 CRE Est.	Difference	
	Revised 11/07/19	Revised 04/20/20	Amount	Pct. Chg.
Property Tax/Fee:				
Motor Carrier	\$ 12,500	\$ 12,700	\$ 200	1.6 %
Income Taxes:				
Individual	\$ 4,065,000	\$ 3,770,000	\$ (295,000)	(7.3) %
Corporation	475,000	370,000	(105,000)	(22.1)
Financial Institutions	44,000	48,000	4,000	9.1
Total	\$ 4,584,000	\$ 4,188,000	\$ (396,000)	(8.6) %
Excise Taxes:				
Retail Sales	\$ 2,430,000	\$ 2,320,000	\$ (110,000)	(4.5) %
Compensating Use	475,000	450,000	(25,000)	(5.3)
Cigarette	107,000	107,000	--	--
Tobacco Products	9,000	9,000	--	--
Liquor Gallonage	22,000	21,500	(500)	(2.3)
Liquor Enforcement	75,500	75,500	--	--
Liquor Drink	13,000	9,000	(4,000)	(30.8)
Severance	22,000	7,100	(14,900)	(67.7)
Gas	1,700	1,500	(200)	(11.8)
Oil	20,300	5,600	(14,700)	(72.4)
Total	\$ 3,153,500	\$ 2,999,100	\$ (154,400)	(4.9) %
Other Taxes:				
Insurance Premiums	\$ 171,500	\$ 172,500	\$ 1,000	0.6 %
Corporate Franchise	7,200	8,200	1,000	13.9
Miscellaneous	4,200	3,000	(1,200)	(28.6)
Total	\$ 182,900	\$ 183,700	\$ 800	0.4 %
Total Taxes	\$ 7,932,900	\$ 7,383,500	\$ (549,400)	(6.9) %
Other Revenues & Receipts:				
Interest	\$ 30,000	\$ 500	\$ (29,500)	(98.3) %
Transfers & Other Receipts	(335,100)	(201,200)	133,900	40.0
Agency Earnings	47,700	47,700	--	--
Total	\$ (257,400)	\$ (153,000)	\$ 104,400	40.6 %
Total Receipts	\$ 7,675,500	\$ 7,230,500	\$ (445,000)	(5.8) %

State General Fund Profile FY 2018 - FY 2021 (April Revenue Estimates)
(Dollars in Millions)

	Actual FY 2018	Actual FY 2019	SB 66 FY 2020	SB 66 FY 2021
Beginning Balance	\$ 108.5	\$ 761.7	\$ 1,105.1	\$ 205.2
Revenue				
Consensus Revenue Estimates (April 20, 2020)	\$ 7,302.3	\$ 7,368.4	\$ 6,825.2	\$ 7,230.5
Prior Year Released Encumbrances	-	7.8	-	-
Total Available Revenue	\$ 7,410.8	\$ 8,137.9	\$ 7,930.3	\$ 7,435.7
Expenditures				
Expenditures	\$ 6,649.1	\$ 7,032.8	\$ 7,749.6	\$ 7,718.2
Human Services Caseload (April 16, 2020)	-	-	(106.1)	171.3
School Finance Consensus (Fall 2019)	-	-	(32.9)	117.5
Reappropriations	-	-	108.7	(108.7)
Governor's adjustments	-	-	(1.1)	25.4
Legislative Adjustments SB 66 (March 18, 2020)	-	-	6.9	165.5
Total Adjusted Expenditures	\$ 6,649.1	\$ 7,032.8	\$ 7,725.1	\$ 8,089.2
Ending Balance	\$ 761.7	\$ 1,105.1	\$ 205.2	\$ (653.5)
Ending balance as a percentage of expenditures	11.5%	15.7%	2.7%	-8.1%
Receipts above / (below) expenditures	\$ 653.2	\$ 343.4	\$ (899.9)	\$ (858.7)

Note: The Department of Corrections retains \$45.0 million in expenditure authority from the Evidence Based Juvenile Programs Fund in FY 2021 that the Governor has recommended that the Department not exercise.