



March 1, 2019

To: Legislative Budget Committee

STATE GENERAL FUND (SGF) RECEIPTS

July 2018 through February 2019, FY 2019

This is the fourth month of experience under the revised estimate of SGF receipts in FY 2019 made by the Consensus Estimating Group on November 9, 2018. The figures in both the “Estimate” and “Actual” columns under FY 2019 on the following table include actual amounts received in July through October. Consequently, this report details the difference between estimated and actual receipts in November through February.

Total receipts through February of FY 2019 were \$5.0 million, or 0.1 percent, below the estimate. The component of SGF receipts from taxes only was \$3.6 million, or 0.1 percent, below the estimate. Total SGF receipts through the end of January had been \$39.3 million below the November forecast, while receipts from taxes only had been down \$36.4 million.

Tax sources exceeding the estimate by more than \$1.0 million were: corporation income tax (\$25.4 million or 12.4 percent); and the severance tax (\$1.9 million or 7.4 percent).

Tax sources falling below the estimate by more than \$1.0 million were: retail sales tax (\$15.4 million or 1.0 percent); individual income tax (\$9.7 million or 0.5 percent); insurance premiums tax (\$3.9 million or 5.1 percent); compensating use tax (\$2.4 million or 0.8 percent); and financial institutions’ privilege tax (\$1.9 million or 9.0 percent).

Insurance premium tax receipts have shown improvements in January and February, but remain below the estimate due to larger than anticipated refunds in December.

Individual income tax receipts, which had been \$54.4 million below the previous fiscal-year-to-date estimate through January, recovered substantially in February due in part to strong growth in withholding. Recall that an indeterminate amount of withholding taxes for federal employees in Kansas who had been furloughed during the federal shutdown and did not receive paychecks in January were delayed until February when the deferred federal payroll was reconciled. The Department of Revenue also reports that about 350,300 tax year 2018 refunds had been processed over the first two months of the calendar year, compared to 332,200 over the same two months last year. The average refund thus far this year is \$420, compared to \$394 through February of 2018. Approximately 76,600 tax year 2018 balance due remittances were processed through the first two months (average of \$353); compared with 67,800 balance dues through February of 2018 (average of \$323).

Corporation income tax receipts continue to remain above the November estimate.

On the other hand, combined sales and use tax receipts growth remains negative for the first eight months of the fiscal year, an unusual trend historically given the relatively strong employment metrics in the state and national economies.

This shortfall reflects regional weakness in retail sales with both Arkansas and Nebraska below their estimates for January by 4.9 percent and 3.5 percent respectively. The only bright point for retail sales taxation is Iowa which began taxing a variety of services and internet sales in January.

As noted last month, the Consensus Group will be working with the Department of Revenue and its consulting economists to seek additional information about these and other tax sources prior to the next meeting, which has now been set for April 18.

This report excludes a deposit to the SGF of \$600.0 million, pursuant to issuance of a Certificate of Indebtedness. This Certificate will be discharged prior to the end of the fiscal year.

STATE GENERAL FUND RECEIPTS
July-February, FY 2019
(Dollars in Thousands)

	Actual FY 2018	FY 2019			Percent change relative to:	
		Estimate*	Actual	Difference	FY 2018	Estimate
Property Tax/Fee:						
Motor Carriers	\$ 8,158	\$ 7,600	\$ 8,101	\$ 501	(0.7) %	6.6 %
Income Taxes:						
Individual	\$ 1,990,975	\$ 2,060,500	\$ 2,050,756	\$ (9,744)	3.0 %	(0.5) %
Corporation	166,840	203,900	229,257	25,357	37.4	12.4
Financial Inst.	21,185	20,900	19,009	(1,891)	(10.3)	(9.0)
<i>Total</i>	<u>\$ 2,179,000</u>	<u>\$ 2,285,300</u>	<u>\$ 2,299,022</u>	<u>\$ 13,722</u>	<u>5.5 %</u>	<u>0.6 %</u>
Excise Taxes:						
Retail Sales	\$ 1,574,803	\$ 1,573,600	\$ 1,558,201	\$ (15,399)	(1.1) %	(1.0) %
Compensating Use	276,072	289,100	286,655	(2,445)	3.8	(0.8)
Cigarette	81,021	78,700	78,094	(606)	(3.6)	(0.8)
Tobacco Products	5,837	5,900	5,988	88	2.6	1.5
Cereal Malt Beverages	1,043	1,000	961	(39)	(7.9)	(3.9)
Liquor Gallonage	13,427	13,130	13,834	704	3.0	5.4
Liquor Enforcement	49,175	49,640	50,314	674	2.3	1.4
Liquor Drink	7,575	7,700	7,969	269	5.2	3.5
Corporate Franchise	2,103	2,030	2,040	10	(3.0)	0.5
Severance	22,775	25,930	27,860	1,930	22.3	7.4
Gas	7,610	4,390	6,657	2,267	(12.5)	51.6
Oil	15,165	21,540	21,203	(337)	39.8	(1.6)
<i>Total</i>	<u>\$ 2,033,831</u>	<u>\$ 2,046,730</u>	<u>\$ 2,031,916</u>	<u>\$ (14,814)</u>	<u>(0.1) %</u>	<u>(0.7) %</u>
Other Taxes:						
Insurance Premiums	\$ 89,094	\$ 77,300	\$ 73,374	\$ (3,926)	(17.6) %	(5.1) %
Miscellaneous	1,555	2,290	3,221	931	107.1	40.7
<i>Total</i>	<u>\$ 90,649</u>	<u>\$ 79,590</u>	<u>\$ 76,595</u>	<u>\$ (2,995)</u>	<u>(15.5) %</u>	<u>(3.8) %</u>
Total Taxes	\$ 4,311,638	\$ 4,419,220	\$ 4,415,634	\$ (3,587)	2.4 %	(0.1) %
Other Revenue:						
Interest	\$ 12,054	\$ 31,400	\$ 31,516	\$ 116	161.5 %	0.4 %
Transfers (net)	152,527	(73,310)	(70,626)	2,684	(146.3)	3.7
Agency Earnings & Misc	31,474	38,700	34,458	(4,242)	9.5	(11.0)
Total Other Revenue	\$ 196,055	\$ (3,210)	\$ (4,652)	\$ (1,442)	(102.4) %	(44.9) %
TOTAL RECEIPTS	\$ 4,507,693	\$ 4,416,010	\$ 4,410,982	\$ (5,029)	(2.1) %	(0.1) %

* Consensus Estimate as of November 9, 2018.

Excludes a Certificate of Indebtedness of \$600 million that must be redeemed prior to the end of the fiscal year.

Note: Details may not add to totals due to rounding.