

November 9, 2022

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 2023 and FY 2024

The Consensus Estimating Group met today to revise the State General Fund revenue estimate for FY 2023 and to make its first official assessment of FY 2024. 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 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.

For FY 2023, the estimate was increased by \$794.2 million, or 8.9 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 \$773.0 million, while the estimate for other revenues was increased by \$21.2 million. The revised estimate of \$9.701 billion represents a 22.6 percent increase above final FY 2022 receipts.

The initial estimate for FY 2024 is \$10.124 billion, which is \$423.2 million, or 4.4 percent, above the newly revised FY 2023 figure. Various factors influencing this change in revenues in addition to the state of the economy include net change in transfers out of the SGF based on current statutory requirements for FY 2023 and FY 2024. The amount of total taxes is estimated to increase by 0.9 percent in FY 2024, following a 3.1 percent increase in FY 2023.

Table 1 compares the revised estimates for FY 2023 and initial estimates for FY 2024 with actual receipts from FY 2022. Table 2 shows the changes within the FY 2023 estimate.

Table 1
State General Fund Receipts
(Dollars in Thousands)

	Consensus Estimate November 9, 2022					
	FY 2022 (Actual)		FY 2023 (Revised)		FY 2024	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Income Taxes:						
Individual	\$ 4,836,131	5.4 %	\$ 5,100,000	5.5 %	\$ 5,301,500	4.0 %
Corporation	806,035	23.6	773,000	(4.1)	646,000	(16.4)
Financial Institutions	62,227	(17.2)	52,000	(16.4)	50,000	(3.8)
Total	\$ 5,704,392	7.3 %	\$ 5,925,000	3.9 %	\$ 5,997,500	1.2 %
Sales & Use Taxes:						
Retail Sales	\$ 2,759,402	9.4 %	\$ 2,790,000	1.1 %	\$ 2,790,000	-- %
Compensating Use	775,034	28.5	820,000	5.8	860,000	4.9
Total	\$ 3,534,436	13.1 %	\$ 3,610,000	2.1 %	\$ 3,650,000	1.1 %
Other Excise Taxes:						
Cigarette	\$ 109,406	(3.6) %	\$ 100,000	(8.6) %	\$ 96,000	(4.0) %
Tobacco Products	10,179	2.6	10,400	2.2	10,700	2.9
Liquor Gallonage	24,540	(0.7)	25,500	3.9	26,000	2.0
Liquor Enforcement	82,988	2.0	81,000	(2.4)	82,000	1.2
Liquor Drink	13,757	33.3	15,000	9.0	15,500	3.3
Gas Severance	20,827	432.3	24,400	17.2	12,400	(49.2)
Oil Severance	35,341	173.4	37,900	7.2	25,700	(32.2)
Total	\$ 297,038	15.7 %	\$ 294,200	(1.0) %	\$ 268,300	(8.8) %
Other Taxes:						
Insurance Premiums	\$ 196,373	7.9 %	\$ 204,000	3.9 %	\$ 212,000	3.9 %
Motor Carrier	12,922	(4.5)	11,600	(10.2)	11,600	--
Corporate Franchise	8,456	(14.2)	9,000	6.4	9,000	--
Miscellaneous	4,490	31.2	5,100	13.6	5,400	5.9
Total	\$ 222,242	6.5 %	\$ 229,700	3.4 %	\$ 238,000	3.6 %
Total Taxes	\$ 9,758,107	9.5 %	\$ 10,058,900	3.1 %	\$ 10,153,800	0.9 %
Other Revenues & Receipts:						
Interest	\$ 2,822	(63.8) %	\$ 112,000	3,868.8 %	\$ 205,000	83.0 %
Transfers & Other Receipts	(1,914,835)	(1,586.3)	(577,700)	69.8	(321,800)	44.3
Agency Earnings	69,951	10.9	108,000	54.4	87,400	(19.1)
Total	\$(1,842,063)	(4,217.6) %	\$ (357,700)	80.6 %	\$ (29,400)	91.8 %
Total Receipts	\$ 7,916,045	(10.7) %	\$ 9,701,200	22.6 %	\$ 10,124,400	4.4 %

Table 2
State General Fund Receipts
FY 2023 Revised
Comparison of November 2022 Estimate to June 2022 Estimate
(Dollars in Thousands)

	FY 2023 CRE Est.	FY 2023 CRE Est.	Difference	
	As Adj. for Legis.	Revised 11/09/2022	Amount	Pct. Chg.
Income Taxes:				
Individual	\$ 4,661,600	\$ 5,100,000	\$ 438,400	9.4 %
Corporation	650,000	773,000	123,000	18.9
Financial Institutions	46,000	52,000	6,000	13.0
Total	\$ 5,357,600	\$ 5,925,000	\$ 567,400	10.6 %
Sales & Use Taxes:				
Retail Sales	\$ 2,600,200	\$ 2,790,000	\$ 189,800	7.3 %
Compensating Use	813,700	820,000	6,300	0.8
Total	\$ 3,413,900	\$ 3,610,000	\$ 196,100	5.7 %
Other Excise Taxes:				
Cigarette	\$ 104,000	\$ 100,000	\$ (4,000)	(3.8) %
Tobacco Products	10,300	10,400	100	1.0
Liquor Gallonage	24,700	25,500	800	3.2
Liquor Enforcement	85,500	81,000	(4,500)	(5.3)
Liquor Drink	13,700	15,000	1,300	9.5
Gas Severance	16,700	24,400	7,700	46.1
Oil Severance	34,900	37,900	3,000	8.6
Total	\$ 289,800	\$ 294,200	\$ 4,400	1.5 %
Other Taxes:				
Insurance Premiums	\$ 199,000	\$ 204,000	\$ 5,000	2.5 %
Motor Carrier	13,000	11,600	(1,400)	(10.8)
Corporate Franchise	8,000	9,000	1,000	12.5
Miscellaneous	4,600	5,100	500	10.9
Total	\$ 224,600	\$ 229,700	\$ 5,100	2.3 %
Total Taxes	\$ 9,285,900	\$ 10,058,900	\$ 773,000	8.3 %
Other Revenues & Receipts:				
Interest	\$ 50,000	\$ 112,000	\$ 62,000	124.0 %
Transfers & Other Receipts	(520,500)	(577,700)	(57,200)	(11.0)
Agency Earnings	91,600	108,000	16,400	17.9
Total	\$ (378,900)	\$ (357,700)	\$ 21,200	5.6 %
Total Receipts	\$ 8,907,000	\$ 9,701,200	\$ 794,200	8.9 %

State General Fund Profile FY 2021 - FY 2024
(Dollars in Millions)

	Actual FY 2021	Actual FY 2022	Approved FY 2023	Estimated FY 2024
Beginning Balance	\$ 495.0	\$ 2,094.8	\$ 1,834.5	\$ 2,306.4
Revenue				
Consensus Revenue Estimates (11-9-2022)	\$ 8,867.6	\$ 7,916.0	\$ 9,701.2	\$ 10,124.4
Released Encumbrances	-	19.9	-	-
Total Available Revenue	\$ 9,362.6	\$ 10,030.7	\$ 11,535.7	\$ 12,430.8
Expenditures				
Expenditures	\$ 7,267.8	\$ 8,196.2	\$ 9,171.0	\$ 9,123.4
Reappropriations	-	-	321.9	(321.9)
Human Services Caseload	-	-	(198.2)	163.0
School Finance	-	-	(65.5)	225.9
Total Adjusted Expenditures	\$ 7,267.8	\$ 8,196.2	\$ 9,229.3	\$ 9,190.4
Ending Balance	\$ 2,094.8	\$ 1,834.5	\$ 2,306.4	\$ 3,240.4
Budget Stabilization Fund Balance	81.9	969.1	981.1	993.1
Ending SGF balance as a percentage of expenditures	28.8%	22.4%	25.0%	35.3%
Receipts above / (below) expenditures	\$ 1,599.8	\$ (260.3)	\$ 471.9	\$ 934.0

Profile 23-002