

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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TO: Legislative Budget Committee

STATE GENERAL FUND (SGF) RECEIPTS

July through August, FY 2019

For the first four months of FY 2019, estimates of State General Fund (SGF) receipts are based upon the consensus estimates of April 20, 2018, as adjusted for legislation enacted after that date. As this is the second monthly report on FY 2019 receipts, it is important to remember that a comparison of two months of receipts is not a reliable basis upon which to identify a trend for the balance of the year. Receipts in September will be monitored as individual income tax estimated payments are due during that month. The next meeting of the Consensus Revenue Estimating Group will be on November 9, 2018.

Total receipts for July and August, the first two months of FY 2019, were \$13.4 million, or 1.6 percent, above the estimate. The component of total SGF receipts from taxes only was \$17.6 million, or 1.8 percent, above the estimate.

Tax sources exceeding the fiscal year estimate by more than \$1.0 million through August were: corporation tax (\$8.3 million or 37.9 percent); individual income tax (\$3.5 million or 0.8 percent); compensating use tax (\$3.2 million or 4.9 percent); cigarette tax (\$2.3 million or 10.7 percent); and severance tax (\$1.5 million or 56.4 percent).

The only tax source below the estimates by more than \$1.0 million through August was: insurance premiums (\$1.7 million or 23.6 percent).

As noted in this report during the final months of FY 2018, many of the underlying fundamentals for the individual income tax (especially withholding and estimated payments) have continued to exceed previous expectations. Receipts from this source exceeded the final FY 2018 estimate by almost \$230.0 million. The projected fiscal impact of the new Kansas income tax law implemented by 2017 SB 30 now appears to have been understated, mainly as it relates to the restoration of the tax on certain non-wage business income. The Department of Revenue is conducting an analysis of tax year 2017 returns to provide more complete information.

The transfer amount is \$5.0 million, or 3.9 percent, below the estimate due to a higher than anticipated automated tax system transfer. Interest earnings exceeded the FY 2019 estimate by \$1.4 million due to higher than anticipated pooled money investment portfolio balances and a higher return on investments.

This report excludes the July 1 deposit to the SGF of \$600.0 million pursuant to issuance of a Certificate of Indebtedness. The Certificate will be discharged prior to the end of the fiscal year.

STATE GENERAL FUND RECEIPTS
July-August, 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	\$ 1,481	\$ 1,500	\$ 1,489	\$ (11)	0.5 %	(0.7) %
Income Taxes:						
Individual	\$ 384,162	\$ 445,000	\$ 448,462	\$ 3,462	16.7 %	0.8 %
Corporation	24,858	21,900	30,211	8,311	21.5	37.9
Financial Inst.	790	700	1,215	515	53.8	73.6
<i>Total</i>	<u>\$ 409,810</u>	<u>\$ 467,600</u>	<u>\$ 479,888</u>	<u>\$ 12,288</u>	<u>17.1 %</u>	<u>2.6 %</u>
Excise Taxes:						
Retail Sales	\$ 400,704	\$ 404,000	\$ 403,495	\$ (505)	0.7 %	(0.1) %
Compensating Use	65,199	65,000	68,154	3,154	4.5	4.9
Cigarette	22,544	21,000	23,251	2,251	3.1	10.7
Tobacco Products	1,420	1,600	1,561	(39)	9.9	(2.4)
Cereal Malt Beverages	282	280	311	31	10.3	11.1
Liquor Gallonage	3,563	3,400	3,600	200	1.0	5.9
Liquor Enforcement	12,651	12,700	13,015	315	2.9	2.5
Liquor Drink	1,924	1,980	2,041	61	6.1	3.1
Corporate Franchise	806	900	818	(82)	1.5	(9.1)
Severance	2,889	2,680	4,191	1,511	45.1	56.4
Gas	833	(220)	(230)	(10)	(127.6)	(4.5)
Oil	2,056	2,900	4,421	1,521	115.0	52.4
<i>Total</i>	<u>\$ 511,982</u>	<u>\$ 513,540</u>	<u>\$ 520,438</u>	<u>\$ 6,898</u>	<u>1.7 %</u>	<u>1.3 %</u>
Other Taxes:						
Insurance Premiums	\$ (9,677)	\$ (7,300)	\$ (9,024)	\$ (1,724)	6.7 %	(23.6) %
Miscellaneous	281	450	573	123	103.9	27.3
<i>Total</i>	<u>\$ (9,396)</u>	<u>\$ (6,850)</u>	<u>\$ (8,451)</u>	<u>\$ (1,601)</u>	<u>10.1 %</u>	<u>(23.4) %</u>
Total Taxes	\$ 913,877	\$ 975,790	\$ 993,364	\$ 17,574	8.7 %	1.8 %
Other Revenue:						
Interest	\$ 2,513	\$ 3,500	\$ 4,616	\$ 1,116	83.7 %	31.9 %
Transfers (net)	83,074	(128,660)	(133,634)	(4,974)	(260.9)	(3.9)
Agency Earnings & Misc	5,704	4,300	3,937	(363)	(31.0)	(8.4)
Total Other Revenue	\$ 91,291	\$ (120,860)	\$ (125,081)	\$ (4,221)	(237.0) %	(3.5) %
TOTAL RECEIPTS	\$ 1,005,168	\$ 854,930	\$ 868,283	\$ 13,353	(13.6) %	1.6 %

* Consensus Estimate as of April 20, 2018, as further adjusted for subsequent legislation enacted after that date.

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

Note: Totals may not add due to rounding.