

# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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**To:** Legislative Budget Committee

## **STATE GENERAL FUND (SGF) RECEIPTS** July through October, FY 2019

This is the final report on SGF receipts based on the consensus estimates of April 20, 2018, as subsequently adjusted for legislation. The Consensus Estimating Group will meet on November 9, 2018, to revise the estimates for FY 2019 and establish new estimates for FY 2020 and FY 2021. The November monthly report (July through November, FY 2019) will be based on the November 9 revised estimates.

**Total SGF receipts for July through October were \$114.6 million, or 5.6 percent, above the estimate. The component of SGF receipts from taxes only was \$105.6 million, or 5.0 percent, above the estimate.**

The tax sources exceeding the estimate by more than \$1.0 million through October were individual income (\$67.7 million or 7.0 percent); corporation income (\$36.2 million or 37.9 percent); compensating use (\$6.2 million or 4.7 percent); severance (\$4.4 million or 48.3 percent); and cigarette (\$1.4 million or 3.4 percent).

Individual income tax gained an additional \$7.3 million over the current estimate during the month of October and is now nearly \$68.0 million ahead of the fiscal-year-to-date forecast. Receipts from this source exceeded the final FY 2018 estimate by almost \$230 million. As noted in this report previously, the Department of Revenue has conducted an analysis over the summer and fall of tax year 2017 returns and is providing that information to the Consensus Estimating Group.

Corporation income taxes, now up over \$36.0 million, gained an additional \$4.8 million during October alone and also significantly exceeded the final FY 2018 forecast for this tax source. Changes in federal tax law involving receipts from "repatriated" monies appear to be influencing some of this growth.

The tax sources below the estimate by more than \$1.0 million were retail sales (\$9.1 million or 1.1 percent); and insurance premiums tax (\$1.2 million or 16.1 percent).

Although the combined sales and compensating use tax estimate is only \$2.9 million below the estimate and the distinction between sales and use taxes is increasingly less important in the wake of a new US Supreme Court decision, it is nevertheless worthy of note that sales tax alone fell \$5.7 million below the October monthly estimate and is now \$9.1 million below the cumulative estimate for the first four months of the fiscal year.

Retail sales tax revenue is 0.3 percent, or \$2.8 million, below the first four months of FY 2018. The Consensus Revenue Group assumed a 1.9 percent growth rate for this revenue source between FY 2018 and FY 2019.

The decrease in estimated insurance premium is due to larger than anticipated refunds in the month of September.

Other revenue sources exceeding the estimate include interest by \$8.3 million, or 119.9 percent, and agency earnings by \$5.4 million or 26.5 percent. The increase in interest is due to higher average daily balances and increases in interest rates by the Federal Reserve.

The increase in agency earnings is due to the receipt of more than \$17.0 million in unclaimed property in October, mostly from escheated checks.

Transfers are \$4.7 million, or 5.9 percent below the estimate. The decrease is due to higher than anticipated transfers for the Automated Tax System upgrade at the Department of Revenue.

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-October, FY 2019**  
(Dollars in Thousands)

	Actual FY 2018	FY 2019			Percent change relative to:	
		Estimate*	Actual	Difference	FY 2018	Estimate
<b>Property Tax/Fee:</b>						
Motor Carriers	\$ 2,774	\$ 2,800	\$ 2,815	\$ 15	1.5 %	0.5 %
<b>Income Taxes:</b>						
Individual	\$ 884,088	\$ 970,000	\$ 1,037,721	\$ 67,721	17.4 %	7.0 %
Corporation	107,679	95,700	131,926	36,226	22.5	37.9
Financial Inst.	11,110	10,400	10,540	140	(5.1)	1.3
<i>Total</i>	<u>\$ 1,002,877</u>	<u>\$ 1,076,100</u>	<u>\$ 1,180,187</u>	<u>\$ 104,087</u>	<u>17.7 %</u>	<u>9.7 %</u>
<b>Excise Taxes:</b>						
Retail Sales	\$ 793,080	\$ 800,000	\$ 790,887	\$ (9,113)	(0.3) %	(1.1) %
Compensating Use	132,126	132,000	138,175	6,175	4.6	4.7
Cigarette	44,175	40,900	42,292	1,392	(4.3)	3.4
Tobacco Products	2,949	3,100	3,065	(35)	3.9	(1.1)
Cereal Malt Beverages	538	480	548	68	1.9	14.2
Liquor Gallonage	6,974	6,900	6,959	59	(0.2)	0.9
Liquor Enforcement	24,819	25,100	24,626	(474)	(0.8)	(1.9)
Liquor Drink	3,816	3,870	3,969	99	4.0	2.6
Corporate Franchise	1,133	1,200	1,050	(150)	(7.3)	(12.5)
Severance	10,498	9,210	13,655	4,445	30.1	48.3
Gas	3,441	1,510	1,761	251	(48.8)	16.6
Oil	7,057	7,700	11,894	4,194	68.5	54.5
<i>Total</i>	<u>\$ 1,020,108</u>	<u>\$ 1,022,760</u>	<u>\$ 1,025,226</u>	<u>\$ 2,466</u>	<u>0.5 %</u>	<u>0.2 %</u>
<b>Other Taxes:</b>						
Insurance Premiums	\$ (9,249)	\$ (7,500)	\$ (8,706)	\$ (1,206)	5.9 %	(16.1) %
Miscellaneous	663	900	1,138	238	71.6	26.4
<i>Total</i>	<u>\$ (8,586)</u>	<u>\$ (6,600)</u>	<u>\$ (7,568)</u>	<u>\$ (968)</u>	<u>11.9 %</u>	<u>(14.7) %</u>
<b>Total Taxes</b>	<b>\$ 2,017,173</b>	<b>\$ 2,095,060</b>	<b>\$ 2,200,660</b>	<b>\$ 105,599</b>	<b>9.1 %</b>	<b>5.0 %</b>
<b>Other Revenue:</b>						
Interest	\$ 5,780	\$ 6,900	\$ 15,172	\$ 8,272	162.5 %	119.9 %
Transfers (net)	135,828	(79,680)	(84,358)	(4,678)	(162.1)	(5.9)
Agency Earnings & Misc	22,640	20,400	25,810	5,410	14.0	26.5
<b>Total Other Revenue</b>	<b>\$ 164,248</b>	<b>\$ (52,380)</b>	<b>\$ (43,376)</b>	<b>\$ 9,004</b>	<b>(126.4) %</b>	<b>17.2 %</b>
<b>TOTAL RECEIPTS</b>	<b>\$ 2,181,421</b>	<b>\$ 2,042,680</b>	<b>\$ 2,157,284</b>	<b>\$ 114,603</b>	<b>(1.1) %</b>	<b>5.6 %</b>

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

Excludes a Certificate of Indebtedness of \$600.0 million that must be redeemed prior to the end of the fiscal year.

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