



Kansas Legislative Research Department

Providing nonpartisan, objective research and fiscal analysis for the Kansas Legislature since 1934

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May 24, 2023

To: Legislative Coordinating Council and Governor Laura Kelly

From: Kansas Legislative Research Department and Division of the Budget

Re: Legislative Adjustments to Consensus Estimates for FY 2023 through FY 2024

Pursuant to KSA 75-6701, the most recent estimates of State General Fund (SGF) receipts for FY 2023 and FY 2024 have been adjusted to reflect the fiscal impact of legislation involving receipts to the SGF enacted during the 2023 Legislative Session subsequent to the Consensus Revenue Estimate (CRE) made on April 20, 2023 (see Table 1).

Estimated receipts for the two fiscal years combined were decreased by \$481.8 million relative to the April 20 estimate. Of this amount, a reduction of \$6.3 million is attributable to total taxes, and a decrease of \$475.5 million is attributable to other revenues. FY 2023 receipts were decreased \$599.3 million, and FY 2024 receipts were increased \$117.5 million.

Tables 2–3 show changes by source for each fiscal year and incorporate those changes into the overall estimate for that year. Table 2 establishes the final estimate for FY 2023 and Table 3 establishes the new baseline estimate for FY 2024 that will be revised again in the fall.

Tables 4–5 provide more specific information on the legislative adjustments by bill and by source for each fiscal year.

A final section of this report discusses the implications for SGF receipts in FY 2025 and subsequent years relative to certain upcoming changes in law.

The Consensus Revenue Estimating Group will meet again prior to December 4 to consider revisions to the newly adjusted FY 2024 estimate and issue the initial estimate for FY 2025.

FY 2023

The following FY 2023 adjustments were made:

- **HB 2184**, the mega appropriations bill, increases net transfers out of the SGF by \$600.2 million, primarily attributable to transferring \$600.0 million from the SGF to the Budget Stabilization Fund. The bill also increases agency earnings by \$890,000, attributable to the deposit of the balance of a fund set up for the Kansas Bureau of Investigation Forensic Science Center into the SGF.

FY 2024

The following FY 2024 adjustments were made:

- **SB 25**, the omnibus appropriations bill, increases net transfers out of the SGF by \$51.0 million, primarily attributable to the transfer to the Build Kansas Matching Grant Fund at the Office of the State Treasurer.
- **House Sub. for SB 113**, the school finance bill, reduces net transfers out of the SGF by \$204.1 million, primarily attributable to the school district capital improvement transfer being converted to a demand transfer.
- **SB 228**, which updates county jail statutes and provides for state reimbursement of certain costs for prisoners awaiting competency determinations, increases net transfers out of the SGF by \$14.0 million.
- **HB 2002**, which creates sales tax exemptions for Area Agencies on Aging and Kansas Suicide Prevention HQ, reduces sales tax receipts to the SGF by \$315,000.
- **HB 2184**, the mega appropriations bill, increases net transfers out of the SGF by \$8.3 million.
- **HB 2292**, which creates both a tax credit and grant incentive programs for apprenticeships and an engineering higher education grant program, reduces individual and corporate income tax receipts by a total of \$5.9 million and increases net transfers out of the SGF by \$7.0 million.

FY 2025 and Thereafter

Insurance Premiums Tax Rate Reduction. HB 2090 provides for a reduction in the tax rate for surplus lines insurance from 6.0 percent of the total gross premiums charged to 3.0 percent. This reduction is anticipated to reduce state receipts by \$18.4 million per year, beginning in FY 2025.

Food Sales Tax Reductions. Further reductions in the state sales tax rate on food and food ingredients, provided for by 2022 HB 2106, are expected to reduce sales tax receipts to the SGF by \$437.1 million in FY 2025 and \$526.2 million in FY 2026. [Note: The FY 2023 reduction in receipts of \$85.0 million the FY 2024 reduction in receipts of \$257.5 million attributable to these rate changes were previously incorporated in the estimate.]

Homestead Refund Program Option. The Homestead Refund option based upon the base year valuation of qualifying taxpayers, enacted in 2022 Senate Sub. for HB 2239, is expected to reduce state receipts by \$21.6 million in FY 2025. Future years are expected to have further growth in reduced receipts. [Note: The FY 2023 reduction in receipts of \$6.9 million the FY 2024 reduction in receipts of \$14.0 million attributable to this provision were previously incorporated in the estimate.]

Housing and Historic Structures Tax Credits. The Kansas Affordable Housing Investor Tax Credit, provided for in 2022 HB 2237, is expected to reduce state receipts by \$14.4 million in FY 2024. This amount is expected to increase by \$14.4 million per year for 10 years until the program reaches a level of \$144.0 million per year. [*Note:* The FY 2024 reduction was previously incorporated in the estimate.]

Property tax relief and Revenue sharing. Current law provides for reinstatement of Local Ad Valorem Tax Reduction Fund transfers from the SGF beginning in FY 2026 at \$54.0 million annually and of County and City Revenue Sharing Fund transfers at 2.823 percent of sales and use taxes otherwise credited to the SGF in FY 2026.

Table 1
State General Fund Receipts
(Dollars in Thousands)

	FY 2022 (Actual)		Consensus Estimate May 24, 2023			
			FY 2023 (Revised)		FY 2024 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Income Taxes:						
Individual	\$ 4,836,131	5.4 %	\$ 4,600,000	(4.9) %	\$ 4,798,800	4.3 %
Corporation	806,035	23.6	1,375,000	70.6	1,295,255	(5.8)
Financial Institutions	62,227	(17.2)	54,000	(13.2)	50,000	(7.4)
Total	\$ 5,704,392	7.3 %	\$ 6,029,000	5.7 %	\$ 6,144,055	1.9 %
Excise Taxes:						
Retail Sales	\$ 2,759,402	9.4 %	\$ 2,790,000	1.1 %	\$ 2,789,685	(0.0) %
Compensating Use	775,034	28.5	800,000	3.2	830,000	3.8
Total	\$ 3,534,436	13.1 %	\$ 3,590,000	12.5 %	\$ 3,619,685	12.5 %
Other Excise Taxes:						
Cigarette	\$ 109,406	(3.6) %	\$ 99,000	(9.5) %	\$ 95,000	(4.0) %
Tobacco Products	10,179	2.6	10,400	2.2	10,700	2.9
Liquor Gallonage	24,540	(0.7)	24,700	0.7	25,000	1.2
Liquor Enforcement	82,988	2.0	83,500	0.6	85,000	1.8
Liquor Drink	13,757	33.3	15,000	9.0	15,500	3.3
Gas Severance	20,827	432.3	21,100	1.3	2,500	(88.2)
Oil Severance	35,341	173.4	35,600	0.7	25,500	(28.4)
Total	\$ 297,038	15.7 %	\$ 289,300	(2.6) %	\$ 259,200	(10.4) %
Other Taxes:						
Insurance Premiums	\$ 196,373	7.9 %	\$ 200,000	1.8 %	\$ 207,000	3.5 %
Motor Carrier	12,922	(4.5)	11,600	(10.2)	11,600	--
Corporate Franchise	8,456	(14.2)	9,200	8.8	9,200	--
Miscellaneous	4,490	31.2	5,200	15.8	5,300	1.9
Total	\$ 222,242	6.5 %	\$ 226,000	1.7 %	\$ 233,100	3.1 %
Total Taxes	\$ 9,758,107	9.5 %	\$ 10,134,300	3.9 %	\$ 10,256,040	1.2 %
Other Revenues & Receipts:						
Interest	\$ 2,822	(63.8) %	\$ 175,000	6,101.3 %	\$ 270,000	54.3 %
Transfers & Other Receipts	(1,914,835)	(1,586.3)	(1,186,700)	(38.0)	(273,300)	(77.0)
Agency Earnings	69,951	10.9	107,490	53.7	98,500	(8.4)
Total	\$ (1,842,063)	(4,217.6) %	\$ (904,210)	(50.9) %	\$ 95,200	(110.5) %
Total Receipts	\$ 7,916,045	(10.7) %	\$ 9,230,090	16.6 %	\$ 10,351,240	12.1 %

Table 2
State General Fund Receipts
FY 2023 Revised
Comparison of May 2023 Estimate to April 2023 Estimate
(Dollars in Thousands)

	FY 2023 CRE Est.	FY 2023 CRE Est.	Difference	
	Revised 4/20/2023	Revised 5/24/2023	Amount	Pct. Chg.
Income Taxes:				
Individual	\$ 4,600,000	\$ 4,600,000	\$ --	-- %
Corporation	1,375,000	1,375,000	--	--
Financial Institutions	54,000	54,000	--	--
Total	\$ 6,029,000	\$ 6,029,000	\$ --	-- %
Sales & Use Taxes:				
Retail Sales	\$ 2,790,000	\$ 2,790,000	\$ --	-- %
Compensating Use	800,000	800,000	--	--
Total	\$ 3,590,000	\$ 3,590,000	\$ --	-- %
Other Excise Taxes:				
Cigarette	\$ 99,000	\$ 99,000	\$ --	-- %
Tobacco Products	10,400	10,400	--	--
Liquor Gallonage	24,700	24,700	--	--
Liquor Enforcement	83,500	83,500	--	--
Liquor Drink	15,000	15,000	--	--
Gas Severance	21,100	21,100	--	--
Oil Severance	35,600	35,600	--	--
Total	\$ 289,300	\$ 289,300	\$ --	-- %
Other Taxes:				
Insurance Premiums	\$ 200,000	\$ 200,000	\$ --	-- %
Motor Carrier	11,600	11,600	--	--
Corporate Franchise	9,200	9,200	--	--
Miscellaneous	5,200	5,200	--	--
Total	\$ 226,000	\$ 226,000	\$ --	-- %
Total Taxes	\$ 10,134,300	\$ 10,134,300	\$ --	-- %
Other Revenues & Receipts:				
Interest	\$ 175,000	\$ 175,000	\$ --	-- %
Transfers & Other Receipts	(586,500)	(1,186,700)	(600,200)	(102.3)
Agency Earnings	106,600	107,490	890	0.8
Total	\$ (304,900)	\$ (904,210)	\$ (599,310)	(196.6) %
Total Receipts	\$ 9,829,400	\$ 9,230,090	\$ (599,310)	(6.1) %

Table 3
State General Fund Receipts
FY 2024 Revised
Comparison of May 2023 Estimate to April 2023 Estimate
(Dollars in Thousands)

	FY 2024 CRE Est.	FY 2024 CRE Est.	Difference	
	Revised 4/20/2023	Revised 5/24/2023	Amount	Pct. Chg.
Income Taxes:				
Individual	\$ 4,800,000	\$ 4,798,800	\$ (1,200)	(0.0) %
Corporation	1,300,000	1,295,255	(4,745)	(0.4)
Financial Institutions	50,000	50,000	--	--
Total	\$ 6,150,000	\$ 6,144,055	\$ (5,945)	(0.1) %
Sales & Use Taxes:				
Retail Sales	\$ 2,790,000	\$ 2,789,685	\$ (315)	(0.0) %
Compensating Use	830,000	830,000	--	--
Total	\$ 3,620,000	\$ 3,619,685	\$ (315)	(0.0) %
Other Excise Taxes:				
Cigarette	\$ 95,000	\$ 95,000	\$ --	-- %
Tobacco Products	10,700	10,700	--	--
Liquor Gallonage	25,000	25,000	--	--
Liquor Enforcement	85,000	85,000	--	--
Liquor Drink	15,500	15,500	--	--
Gas Severance	2,500	2,500	--	--
Oil Severance	25,500	25,500	--	--
Total	\$ 259,200	\$ 259,200	\$ --	-- %
Other Taxes:				
Insurance Premiums	\$ 207,000	\$ 207,000	\$ --	-- %
Motor Carrier	11,600	11,600	--	--
Corporate Franchise	9,200	9,200	--	--
Miscellaneous	5,300	5,300	--	--
Total	\$ 233,100	\$ 233,100	\$ --	-- %
Total Taxes	\$ 10,262,300	\$ 10,256,040	\$ (6,260)	(0.1) %
Other Revenues & Receipts:				
Interest	\$ 270,000	\$ 270,000	\$ --	-- %
Transfers & Other Receipts	(397,100)	(273,300)	123,800	31.2
Agency Earnings	98,500	98,500	--	--
Total	\$ (28,600)	\$ 95,200	\$ 123,800	432.9 %
Total Receipts	\$ 10,233,700	\$ 10,351,240	\$ 117,540	1.1 %

Table 4 - Legislative Adjustments by Bill by Source to FY 2023 Estimates		<i>(\$ in millions)</i>					
		<u>Individual</u>	<u>Corporate</u>	<u>Sales</u>	<u>Agency Earnings</u>	<u>Transfers</u>	<u>Total</u>
HB 2184	MEGA Budget Bill	\$ --	\$ --	\$ --	\$ 0.890	\$ (600.200)	\$ (599.310)
Total		\$ --	\$ --	\$ --	\$ 0.890	\$ (600.200)	\$ (599.310)

Table 5 - Legislative Adjustments by Bill by Source to FY 2024 Estimates		<i>(\$ in millions)</i>					
		<u>Individual</u>	<u>Corporate</u>	<u>Sales</u>	<u>Agency Earnings</u>	<u>Transfers</u>	<u>Total</u>
SB 25	Omnibus Budget Bill	\$ --	\$ --	\$ --	\$ --	\$ (51.000)	\$ (51.000)
SB 113	Education Bill	--	--	--	--	204.100	204.100
SB 228	County Competency Expense	--	--	--	--	(14.000)	(14.000)
HB 2002	Sales Tax Exemptions	--	--	(0.315)	--	--	(0.315)
HB 2184	MEGA Budget Bill	--	--	--	--	(8.300)	(8.300)
HB 2292	Apprenticeship/Engineering	(1.200)	(4.745)	--	--	(7.000)	(12.945)
Total		\$ (1.200)	\$ (4.745)	\$ (0.315)	\$ --	\$ 123.800	\$ 117.540

Cumulative FY 2023 + FY 2024 **\$ (481.770)**