

Approved 2-7-89
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by SENATOR AUGUST "GUS" BOGINA at
Chairperson

11:10 a.m. on JANUARY 24, 1989 in room 123-S of the Capitol.

All members were present except:

All members present

Committee staff present:

Research Department: Diane Duffy, Kathy Porter, Ed Ahrens, Richard Ryan
Revisor: Norman Furse
Committee Staff: Judy Bromich, Pam Parker

Conferees appearing before the committee:

Richard Ryan, Kansas Legislative Research Department, distributed and reviewed a memorandum dated November 9, 1989 regarding State General Fund Receipts and information on the Governor's Budget -- State General Fund (SGF). (Attachment 1) Mr. Ryan called attention to the last sentence in the second paragraph on page five of the memorandum which states, "The current estimates do not include any unusual amount for assessments." He explained this statement is in conjunction with the corporate income tax and that the same statement is made with respect to FY 1990 revenues. He explained the difficulty in estimating assessments, particularly those which are large or unusual. The Department of Revenue is unable to forecast, in unusual circumstances, exactly when and if the Department and the taxpayer will agree or go to court, what is going to happen and the fiscal year in which the resolve will occur. The consensus estimating group decided when they met in November, 1988 large assessments would not be included in the estimates.

Mr. Ryan pointed out that the memorandum dated November 9, 1988 does not refer to an estimated windfall. The consensus estimating group formally agreed upon a windfall amount of \$135 million at their November, 1987 meeting.

During Mr. Ryan's discussion of SGF projections in the Governor's Budget, he stated that their five percent increase is not adjusted for inflation, it is an actual growth. He stressed the figures on the table for FY 1990 and FY 1991 assume that estimated receipts in FY 1989, 1990 and 1991 would be exactly as either already estimated or forecasted. He stated that this table was intended to illustrate that given the present estimates of receipts, if the legislature adopts a budget which is \$130 million out of balance in one year, FY 1990, and have a tax program as currently envisioned, there is at least a potential for a serious problem in the 1990 session. He stressed the word "potential."

Ed Ahrens, Kansas Legislative Research Department, distributed and reviewed information dated January 17, 1989 concerning a Profile of the State General Fund Based on the Governor's Budget Recommendations. (Attachment 2) This information documents for both FY 1989 and 1990 where all the increases are on the expenditure side.

The meeting was adjourned at 12:10 p.m.

MEMORANDUM

To: Governor Mike Hayden and Legislative Budget Committee

From: Kansas Legislative Research Department and Division of ^{Riser} the Budget ^{MOK}

Date: November 9, 1988

Subject: State General Fund Receipts

ESTIMATES FOR FY 1989 (REVISED) AND FY 1990

For the fifteenth consecutive year, the Division of the Budget and its consulting economists,* the Department of Revenue, and the Legislative Research Department have cooperated in the preparation of estimated receipts to the State General Fund. The economists and staff members of the three agencies met on November 8, 1988 to discuss estimates that each had prepared independently for fiscal year 1989 (revised estimates) and for fiscal year 1990. The "consensus estimates" agreed upon at that meeting are presented in Table I along with actual receipts for fiscal year 1988. Table II compares the last preceding estimates and the current revised estimates for fiscal year 1989.

To provide some perspective concerning the consensus estimates, tabulated on the following page are the original and revised estimates and actual receipts for fiscal years 1975-1988. The current estimating procedure began in the fall of 1974 with the revised estimate for fiscal year 1975.

*Dr. Darwin Daicoff from the University of Kansas, Dr. M. Jarvin Emerson from Kansas State University, and Dr. Glenn Fisher from the Wichita State University. In addition, Bill Layes of the Department of Human Resources, Moe Johnson of the U. S. Department of Agriculture, and Lyell Ocobock of the Pooled Money Investment Board staff were consultants regarding employment, farm income, and State General Fund interest earnings, respectively.

STATE GENERAL FUND REVENUE ESTIMATES

Dollar amounts in millions

Fiscal Year	Adj. Original Estimate ¹	Final Estimate ²	Actual Receipts	Difference Between Actual Receipts and Adj. Original Est.		Difference Between Actual Receipts and Final Est.	
				Amount	Percent	Amount	Percent
1975	\$ --	\$ 614.9 ^a	\$ 627.6	\$ --	\$ -- %	\$ 12.7	\$ 2.1%
1976	676.3	699.7	701.2	24.9	3.7	1.4	0.2
1977	760.2	760.7	776.5	16.3	2.1	15.8	2.1
1978	830.1	861.2	854.6	24.5	3.0	(6.5)	(0.8)
1979	945.2	1,019.3	1,006.8	61.6	6.5	(12.5)	(1.2)
1980	1,019.3	1,095.9	1,097.8	78.5	7.7	1.9	0.2
1981	1,197.1	1,226.4	1,226.5	29.4	2.5	0.1	0.01
1982	1,351.3	1,320.0	1,273.0	(78.3)	(5.8)	(47.0)	(3.6)
1983	1,599.2	1,366.9	1,363.6	(235.6)	(14.7)	(3.2)	(0.24)
1984	1,596.7	1,539.0	1,546.9	(49.8)	(3.1)	7.9	0.5
1985	1,697.7	1,679.7	1,658.5	(39.2)	(2.3)	(21.3)	(1.3)
1986	1,731.2	1,666.4	1,641.4	(89.8)	(5.2)	(25.0)	(1.5)
1987	1,903.1	1,764.7	1,778.5	(124.6)	(6.5)	13.8	0.8
1988	1,960.0	2,013.5	2,113.1	153.1	7.8	81.6	4.0
1989*	2,031.4						

1. The original estimate made in November or December prior to the start of the next fiscal year in July was adjusted to account for legislation enacted which affected receipts to the State General Fund.
2. The adjusted original estimate plus or minus changes subsequently made by the Consensus Estimating Group. The final estimate also includes the estimated impact of legislation on receipts.
 - a. the first estimate of the Consensus Estimating Group was the revised estimate for fiscal year 1975.

In the first six fiscal years, actual receipts were higher than the original estimate, ranging from 2.1 percent to 7.7 percent. Receipts in the next six years ranged between 2.3 percent and 14.7 percent lower than the original estimate. Fiscal year 1988 receipts were 7.8 percent over the original estimate. As might be expected, there has been a smaller difference between actual receipts and the final estimate, ranging from only one one-hundredth of 1 percent to 4.0 percent. Also, it will be noted that in six of the 14 fiscal years actual receipts were below the final estimate.

*Because of different estimates for the fiscal impact for some 1988 legislation, the Legislative Research Department estimate for the FY 1989 adjusted estimate is \$2,037.6

Economic Forecasts

Listed below are certain economic forecasts which, along with other things such as actual receipts in fiscal year 1988 and through October in fiscal year 1989, were considered in making the revenue forecasts.

	Actual <u>CY 1986</u>	Actual <u>CY 1987</u>	Est. <u>CY 1988</u>	Est. <u>CY 1989</u>
1. Kansas Personal Income (growth rate)	5.8%	5.0%	5.8%	5.2%
	Actual <u>CY 1986</u>	Actual <u>CY 1987</u>	Est. <u>CY 1988</u>	Est. <u>CY 1989</u>
2. Rate of Inflation (CPI-U)	1.9%	3.6%	4.2%	5.0%
	Actual <u>FY 1987</u>	Actual <u>FY 1988</u>	Est. <u>FY 1989</u>	Est. <u>FY 1990</u>
3. Short-term interest rates*				
91-day treasury bills	6.02%	5.96%	7.52%	7.49%
Federal funds	6.34%	6.90%	8.27%	8.03%
	Actual <u>FY 1987</u>	Actual <u>FY 1988</u>	Est. <u>FY 1989</u>	Est. <u>FY 1990</u>
4. Crude oil and natural gas				
Oil price (avg. per bbl)	\$13.75	\$17.06	\$13.50	\$14.50
Taxable oil production (000)	50,588	47,672	38,600	33,600
Gas price (avg. per mcf)	\$1.15	\$1.23	\$1.35	\$1.45
Gas taxable value (\$000)	\$458,974	\$577,279	\$765,850	\$894,800

The Consensus Estimating Group believes that economic growth will continue to be modest. Kansas personal income is expected to grow at a rate of 5.8 percent during 1988 and at 5.2 percent in 1989. These rates of growth are greater than the 5.0 percent rate experienced during 1987, but are not greater than the 5.8 percent rate of 1986. It should be noted, however, that 1986 Kansas personal income was inflated by federal farm subsidy payments under the wheat program during the first and fourth quarters of that year. Inflation, as measured by the CPI-U, is forecast to average 4.2 percent in 1988, moderately greater than the 3.6 percent rate recorded in 1987, and is expected to continue to accelerate in 1989 to a rate of approximately 5.0 percent. Short-term interest rates have risen significantly in recent months. The Group expects the 91-day treasury bill

*These are the rates applicable to estimated interest earnings for the State General Fund on inactive accounts and repurchase agreements in the respective fiscal years. There is a lag of four months on the 91-day treasury bill rate due to the statutory method of determining the interest rate on inactive accounts.

rate to average approximately 7.5 percent in fiscal year 1989 and fiscal year 1990. As to the federal funds rate, which is the basis for estimating interest earnings on repurchase agreements, the Group expects some decline during fiscal year 1990 from the fiscal year 1989 level.

The severe drought during the summer of 1988 may have been beneficial for Kansas farm income. Current estimates indicate that while total agriculture production is down for the year, the value of production of the four major crops is up by approximately 30 percent. Prices of agricultural products produced in Kansas have risen by a larger percentage than production declined.

As has been the case for several years, Kansas crude oil and natural gas production and prices will be strongly influenced by what OPEC is able to do with respect to managing its production quotas and price levels. Some knowledgeable people in the Kansas industry were contacted to obtain their viewpoints on production and price trends, but the following forecasts are the responsibility of the Consensus Revenue Estimating Group.

For oil, the revised forecast for fiscal year 1989 is that prices will average \$13.50 per barrel, down from \$17.06 in fiscal year 1988, and that taxable production will decrease approximately 9.0 million barrels. The large decrease in taxable production is almost entirely attributable to the effects of 1987 Senate Bill No. 1 which allows more exempt production as price declines. The average price is expected to increase to approximately \$14.50 per barrel for fiscal year 1990. However, taxable production will continue to decrease due to declining gross production and an additional barrel of exempt production under SB 1.

The outlook for Kansas natural gas production and price is bullish. The average price is expected to increase from \$1.23 per mcf to \$1.35 in fiscal year 1989, and to increase to \$1.45 in fiscal year 1990. Gross production is forecast to rise by 18.7 percent in fiscal year 1989 and by 8.2 percent in fiscal year 1990. As a result of the combined increases in price and production, taxable value will increase by 32.7 percent in fiscal year 1989 and an additional 16.8 percent in fiscal year 1990.

Fiscal Year 1989

The revised estimate of State General Fund receipts in fiscal year 1989 is almost \$2.198 billion, which is \$166 million, or 8.2 percent, more than the estimate made on April 4, 1988 as adjusted by the Division of the Budget for 1988 legislation. Table II shows the details of the current and preceding estimates.

The individual income tax estimate was increased by \$63.6 million. The revised estimate is only \$13.7 million over actual fiscal year 1988 receipts. Fiscal year 1989 is the first year collections will be affected by the provisions of 1988 House Bill No. 2543, which reduced estimated receipts by approximately \$49 million.

The individual income tax has exceeded the estimate during each month of the current fiscal year.* Collections through the first four months of the fiscal year were \$29.3 million over the previous estimate.

The corporation income tax is always one of the most difficult revenue sources to estimate. Approximately 25 percent of the receipts are derived from settlements of assessments and completion of court cases, but the dollar amount and the percentage can vary greatly during any given fiscal year. The current estimates does not include any unusual amount for assessments.

The estimate for the corporation income tax was increased by \$33.0 million. As with the individual income tax, corporation income tax receipts have exceeded the previous estimate in each month.

For the second year in a row the presence of several unusually large remittances has caused the inheritance tax estimate to be raised substantially, by \$8.0 million.

Retail sales tax receipts in the first four months of fiscal year 1989 exceeded the prior estimate by \$4.2 million. The previous estimate has been increased by \$19.2 million.

The estimate for the compensating use tax has been increased by \$4.9 million. Through October this source was \$2.0 million above the estimate.

The severance tax estimate has been increased by \$8.7 million. The increase is entirely attributable to the increase in natural gas prices and production. The estimate of State General Fund receipts from the severance tax on natural gas has been increased by \$13.5 million, while the tax on crude oil has been reduced by \$4.0 million. The remaining \$0.8 million difference is from the reduction in the estimate of receipts from coal.

The estimate for earnings of interest has been increased by \$24.1 million. This large increase is the result of significantly higher balances than previously estimated and significantly higher interest rates.

Fiscal Year 1990

For fiscal year 1990, the estimate of receipts is \$2.321 billion, which is \$123 million, or 5.6 percent, over the revised estimate for fiscal year 1989. See Table 1 for the details.

As to the principal sources of revenue, growth rates are 8.3 percent for the individual income tax, 3.5 percent for the sales tax, and 2.1 percent

*The Consensus Revenue Estimating Group estimates fiscal year totals only. Estimates by month were prepared by the Kansas Legislative Research Department, with cooperation from the Division of the Budget and the Department of Revenue.

for the compensating use taxes. Fiscal year 1990 is the first full year for sales and use tax exemptions for business machinery and equipment. As with the estimate for fiscal year 1989, the estimate for the corporation income tax does not include any unusual amount for assessments by the Department of Revenue. Receipts from the corporation income tax are estimated to increase by 3.2 percent.

Cigarette tax collections are estimated to decrease by 1.8 percent, a slightly lower rate of decline than expected in fiscal year 1989. The 9.9 percent increase in severance tax receipts is entirely due to the strong conditions in the Kansas natural gas market. Receipts from natural gas production are expected to increase by 16.6 percent, while receipts from crude oil production will decrease by 6.5 percent. The decrease in receipts from crude oil is largely a result of low oil prices triggering additional exemptions under the provision of 1987 Senate Bill No. 1.

Revenue transfers, which reduce State General Fund receipts, are estimated to decrease by 97.4 percent. Because 1988 House Bill No 2634 converted the largest transfers to demand transfers, the reduction to receipts for State General Fund transfers to other funds fell dramatically in 1989. Demand transfers are counted as State General Fund expenditures. The further reduction in fiscal year 1990 is the result of a one-time provision to transfer receipts from the County Reappraisal Fund to the State General Fund to off-set the costs of reappraisal incurred by the State General Fund during fiscal year 1989.

Concluding Comment

When the Consensus Revenue Estimating Group meets again in March or April 1989, it will review all of the economic forecasts discussed in this memorandum as well as the trend of actual receipts to the State General Fund in fiscal year 1989. The revenue estimates will be raised or lowered at that time if there have been changes in the economic outlook and revenue expectations significantly large to warrant a revision of the estimates made in November.

TABLE I

STATE GENERAL FUND RECEIPTS

In Thousands

	Consensus Estimates, November 8, 1988					
	FY 1988		FY 1989 (Revised)		FY 1990	
	Amount	Percent Increase	Amount	Percent Increase	Amount	Percent Increase
Property Tax:						
Motor Carrier	9,897	(9.6)	11,500	16.2	11,100	(3.5)
Income Taxes:						
Individual	826,261	30.2	840,000	1.7	910,000	8.3
Corporation	171,438	63.8	155,000	(9.6)	160,000	3.2
Financial Inst.	12,375	(52.6)	15,000	21.2	16,000	6.7
Domestic Ins. Co.	823	71.1	940	14.2	950	1.1
Total	1,010,897	32.0	1,010,940	0.0	1,086,950	7.5
Inheritance	44,505	40.6	40,000	(10.1)	40,000	0.0
Excise Taxes:						
Retail Sales	682,870	7.1	705,000	3.2	730,000	3.5
Compensating Use	92,908	4.1	97,000	4.4	99,000	2.1
Cigarette	58,203	(3.4)	57,000	(2.1)	56,000	(1.8)
Tobacco	1,456	5.9	1,560	7.1	1,650	5.8
Cereal Malt Bev.	3,570	(16.7)	3,500	(2.0)	3,500	0.0
Liquor Gal.	12,005	5.3	12,000	(0.0)	12,000	0.0
Liquor Enf.	19,146	4.9	19,500	1.8	19,900	2.1
Club, Caterer, D.E.	2,976	9.8	3,000	0.8	3,200	6.7
Corporate Fran.	8,664	1.1	9,100	5.0	9,400	3.3
Severance	73,182	28.2	70,900	(3.1)	77,900	9.9
Total Excise Taxes	954,980	7.2	978,560	2.5	1,012,550	3.5
Other Taxes:						
Insurance Prem.	64,744	6.2	66,800	3.2	71,400	6.9
Bingo Enf.	254	(1.6)	260	2.4	260	0.0
Miscellaneous	970	(5.6)	940	(3.1)	850	(9.6)
Total Other Taxes	65,968	6.0	68,000	3.1	72,510	6.6
Total Taxes	2,086,247	18.4	2,109,000	1.1	2,223,110	5.4
Other Revenues:						
Interest	40,703	17.6	61,800	51.8	62,300	0.8
Net Transfers	(48,684)	4.3	(8,118)	(83.3)	(214)	(97.4)
Agency Earnings	34,813	3.9	35,000	0.5	36,000	2.9
Total Other Revenue	26,832	55.9	88,682	230.5	98,086	10.6
TOTAL REVENUE	2,113,079	18.8	2,197,682	4.0	2,321,196	5.6

TABLE II

STATE GENERAL FUND RECEIPTS -- COMPARISON OF THE LAST PRECEDING
AND THE CURRENT REVISED ESTIMATES, FISCAL YEAR 1989

	Last Estimate *	Current Revised Amount	Difference
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Property Tax:			
Motor Carrier	10,400	11,500	1,100
Income Taxes:			
Individual	776,430	840,000	63,570
Corporation	122,000 **	155,000	33,000
Financial Inst.	10,000	15,000	5,000
Domestic Ins. Co.	720	940	220
Total	909,150	1,010,940	101,790
Inheritance	32,000	40,000	8,000
Excise Taxes:			
Retail Sales	685,850 ***	705,000	19,150
Compensating Use	92,150 ***	97,000	4,850
Cigarette	56,000	57,000	1,000
Tobacco	1,475	1,560	85
Cereal Malt Bev.	3,600	3,500	(100)
Liquor Gal.	11,600	12,000	400
Liquor Enf.	19,500	19,500	0
Club, Caterer, D.E.	2,900	3,000	100
Corporate Fran.	9,000	9,100	100
Severance	62,200	70,900	8,700
Total Excise Taxes	944,275	978,560	34,285
Other Taxes:			
Insurance Prem.	67,000	66,800	(200)
Bingo Enf.	260	260	0
Miscellaneous	975	940	(35)
Total Other Taxes	68,235	68,000	(235)
Total Taxes	1,964,060	2,109,000	144,940
Other Revenues:			
Interest	37,700	61,800	24,100
Net Transfers	(5,122)	(8,118)	(2,996)
Agency Earnings	34,753	35,000	247
Total Other Revenue	67,331	88,682	21,351
TOTAL REVENUE	<u>2,031,391</u>	<u>2,197,682</u>	<u>166,291</u>

* Estimate made on April 4, 1988, adjusted after the 1988 legislative session to account for the effect on receipts of legislative action.

** As adjusted by the Division of the Budget. Legislative Research estimates \$126,000.

*** As estimated by the Division of the Budget. Legislative Research estimates \$686,900 and \$93,200 for sales and use taxes, respectively.

GOVERNOR'S BUDGET -- STATE GENERAL FUND

In Millions

	<u>FY 1989</u>	<u>FY 1990</u>	<u>Increase</u>	
			<u>Amount</u>	<u>Percent</u>
Beginning Balance	\$301.2	\$325.3		
Receipts				
Consensus Est.	2,197.7	2,321.2	\$124.0	5.6%
Trans. to CIBF	0.8	--		
Trans. to CIF	1.3 ^(a)	--		
Tax Reductions	--	87.4 ^(b)		
Adj. Receipts	2,195.6	2,233.7	38.1	1.7
Expenditures	2,171.5 ^(c)	2,363.6	192.0	8.8
Ending Balance	325.3	195.3	(129.9)	(39.9)
Balance as a Percent of Expend.	15.0%	8.3%		

- a) Recommended but not shown in State General Fund Summary on page 1-3 of Volume 1 of Governor's Budget Report.
- b) Governor's budget included \$6.0 million as a reduction in receipts due to repeal of the alternative minimum tax under the corporation income tax law, but such repeal would not affect estimated revenue in FY 1990.
- c) \$55.2 million more than authorized by the 1988 Legislature as adjusted for shifting of expenditures from FY 1988 to FY 1989.

Kansas Legislative Research Department
January 17 1989

STATE GENERAL FUND PROJECTIONS

In Millions

	<u>Gov. Rec.</u> <u>FY 1990</u>	<u>Projections</u> <u>FY 1991</u>		<u>Expenditure</u> <u>Increase</u>
Begin. Balance	\$325.3	\$195.3		
Receipts	2,233.7	2,345.4	5% increase	
Expenditures	2,363.6	2,309.7	2.3% decrease	\$(53.9)
Ending Balance	195.3	231.0	10% of expenditures	
Begin. Balance	\$325.3	195.3		
Receipts	2,233.7	2,345.4	5% increase	
Expenditures	2,363.6	2,346.0	0.7% decrease	(17.6)
Ending Balance	195.3	194.7	8.3% of expenditures	
Begin. Balance	\$325.3	195.3		
Receipts	2,233.7	2,345.4	5% increase	
Expenditures	2,363.6	2,345.4	0.8% decrease	(18.2)
Ending Balance	195.3	195.3	8.3% of expenditures	
Begin. Balance	\$325.3	195.3		
Receipts	2,233.7	2,492.5	11.6% increase	
Expenditures	2,363.6	2,481.8	5% increase	118.2
Ending Balance	195.3	206.0	8.3% of expenditures	
Begin. Balance	\$325.3	195.3		
Receipts	2,233.7	2,345.4	5% increase	
Expenditures	2,363.6	2,363.6	no increase	0.0
Ending Balance	195.3	177.1	7.5% of expenditures	
Begin. Balance	\$325.3	195.3		
Receipts	2,233.7	2,345.4	5% increase	
Expenditures	2,363.6	2,419.7	2.4% increase	56.1
Ending Balance	195.3	121.0	5% of expenditures	
Begin. Balance	\$325.3	195.3		
Receipts	2,233.7	2,345.4	5% increase	
Expenditures	2,363.6	2,481.8	5% increase	118.2
Ending Balance	195.3	58.9	2.4% of expenditures	
Begin. Balance	\$325.3	195.3		
Receipts	2,233.7	2,278.4	2% increase	
Expenditures	2,363.6	2,481.8	5% increase	118.2
Ending Balance	195.3	(8.1)		

89-13/RWR

A PROFILE OF THE STATE GENERAL FUND BASED ON THE GOVERNOR'S BUDGET RECOMMENDATIONS

(\$ Millions)

A. FY 1989 Revised

	<u>FY 1989</u>	
Beginning Balance		\$301.2
Consensus Estimate of Receipts	\$2,197.7	
Governor's Recommended Adjustments:		
Transfer to Correctional Building Fund	(0.8)	
Transfer to Correctional Industries Fund	<u>(1.3)</u>	
Adjusted Receipts		2,195.6
Expenditures Authorized by the 1988 Session	2,116.3 ^a	
Governor's Recommended Adjustments:		
Partnership Program, Commerce Department	1.7	
KIT Program -- Commerce Department	0.8	
Racing Commission Operations	0.5	
Elevator Renovation, Docking and Landon Office Bldgs.	2.1	
Homestead Property Tax Refunds	0.9	
U.S.D. Income Tax Rebate	7.1	
Other Demand Transfers	1.5	
Phase III -- Service Workers (6 mos.)	2.8	
State Health Insurance Premiums	7.6	
Medical Assistance Program	7.0	
Foster Care Reimbursements	3.0	
Ellsworth Corr. Facility Operations	2.1	
Hutchinson Corr. Facility, Equipment and Operations	2.5	
Community Corrections Aid	(1.1)	
Plan New Correctional Facility	2.9	
FY 1990 Ellsworth Debt Service	2.2	
Special Maintenance, Corrections Institutions	0.5	
KBI Fingerprint System	3.7	
Larned and Topeka State Hospitals Fee or Title XIX Shortfalls	2.4	
MR Institutions, Program Increases	0.9	
Larned Patient Facility	0.5	
YCT Fence	0.5	
Community Colleges Aid	0.5	
SDEA Transportation Aid	(0.5)	
KU Regents Center	2.0	
Fort Hays, Sheridan Coliseum	3.9	
All Other Adjustments,	<u>(2.8)</u>	
Net Governor's Adjustments	\$ 55.2	
Adjusted Expenditures		2,171.5 ^b
Ending Balance (15.0 percent of expenditures)		<u>\$ 325.3</u>

B. FY 1990

		<u>FY 1990</u>
Beginning Balance		\$325.3
Consensus Estimate of Receipts (5.7% Increase)	\$2,321.2	
Governor's Recommended Adjustments		
Individual Income Tax Rate Reductions	(78.9)	
Child Day Care Credits	(3.0)	
Permanent Sales Tax Exemption, Agricultural Equipment	(5.5)	
Corporation Alternative Minimum Tax Repeal	-- ^(c)	
Transfer to State Fair Capital Improve. Fund	(0.1) ^(d)	
Subtotal	<u>(87.5)</u>	
Adjusted Receipts (1.7% Increase)		2,233.7
Governor's Recommended Expenditures		
FY 1989 Recommendation	\$2,171.5	
State Operations (Increase of 10.2%)	84.5	
Local Aid (Increase of 8.0%)	80.2	
Other Assistance (Increase of 7.7%)	20.6	
Capital Improvements (Increase of 9.4%)	<u>6.9^(e)</u>	
Total Increase in Expenditures (8.8%)	<u>192.0</u>	
Recommended Expenditures		2,363.6
Ending Balance (8.3 percent of Expend.)		<u>\$ 195.3</u>

C. Governor's Recommended Expenditure Changes
FY 1989 to FY 1990

		<u>Change</u> <u>(In Millions)</u>
<u>State Operations</u>		
Regents and Institutions		
General Use Funds	\$ 50.2	
Fees, Hosp. Revenue and Other	<u>5.6</u>	
General Fund		\$44.6
Corrections System		16.9
Hospitals for Mentally Retarded		
All Funds	6.3	
Fees and Title XIX	<u>2.9</u>	
General Fund		3.4
Hospitals for Mentally III		
All Funds	4.8	
Fees and Title XIX	<u>7.6</u>	
General Fund		(2.8)
Youth Centers		1.2
Judicial Branch		4.2
Department of Revenue		3.0
Department of Administration		1.2
Department of Commerce		1.2
Department of Health and Environment		2.0
Department of Social and Rehab. Services		5.1
KBI		
Fingerprint Equipment	(3.7)	
All Other	<u>1.1</u>	
Net Change		(2.6)
Highway Patrol		1.4
Board of Agriculture		1.2
Department of Wildlife and Parks		0.8
All Other		<u>3.7</u>
Total State Operations		\$ 84.5
<u>Aid to Local Units</u>		
General Aid to USD's		\$ 43.7
Income Tax Rebate		8.0
Transportation Aid (94% of Formula)		1.0
KPERs-School		1.6
Special Education (92% of Excess Costs)		6.9
At Risk Pupil Assistance		2.0
Vocational Education		1.9
Community Colleges		5.4
Washburn University		2.5
Libraries		0.3
County Reappraisal Aid		(1.5)
LAVTRF and CCRSF		2.7
Community Corrections		1.6
Community Mental Health and Retardation		4.4
Special County and City Highway Fund		0.6
Partnership Program		(1.7)
All Other Local Aid		<u>0.8</u>
Total Local Aid		\$ 80.2

		Change (In Millions)
Other Assistance		
Medical Assistance		\$ 12.2
AFDC and GA		0.4
Foster Care and Adoption		2.0
Kan Work		2.6
Other SRS		2.2
Homestead Tax Refunds		0.6
Department on Aging Programs		0.4
Regents Tuition Grants		0.5
Regents Nursing and Minority Scholarships		0.5
Corrections -- Reserve for Lawsuit		(2.0)
Water Resources Cost Share		1.3
All Other		<u>(0.1)</u>
Total Other Assistance		\$ 20.6
<u>Capital Improvements</u>		
Highway Sales Tax Demand Transfer		
Existing Law	11.5	
Recommended Revisions	<u>13.9</u>	
Total Highways		25.4
All Other Agencies		
FY 1989 Program	(41.0)	
FY 1990 Program		
Historical Society Research Center	4.5	
Facilities Under Department of Admin.	1.3	
New Correctional Facility -- Debt Service	6.2	
Other Corrections Projects	1.6	
Adjutant General, Armories	0.8	
Department of Wildlife and Parks	3.2	
Ft. Hays State -- Sheridan Coliseum	2.2	
Wichita State U. -- Science Building	2.0	
Other New Projects	<u>0.7</u>	
Total FY 1990 Program	<u>22.5</u>	
Net Change -- Other Agencies		<u>(18.5)</u>
Total -- Capital Improvements		<u>\$ 6.9</u>
Grand Total		<u>\$192.0</u>

- a) Estimate of expenditures at end of 1988 Session increased by \$21.3 million for potential shifting of expenditures.
- b) Adjusted for expenditures from State Fair Capital Improvements Fund.
- c) Affects FY 1991 receipts.
- d) Involves equal adjustments to receipts and expenditures.
- e) KDOT increase of \$25.4 million (demand transfer of sales taxes); all others decrease \$18.5 million.