

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on January 16, 1996 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Richard Ryan, Legislative Research Department
Alan Conroy, Legislative Research Department
Russell Mills, Legislative Research Department
Eric Milstead, Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Revisor of Statutes
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Richard Ryan, Director, Legislative Research Department
Alan Conroy, Chief Fiscal Analyst, Legislative Research Department
Russell Mills, Legislative Research Department
Eric Milstead, Legislative Research Department

Others attending: See attached list

A copy of subcommittee assignments updated with reporting dates was distributed to members (Attachment 1).

Richard Ryan, Director of the Legislative Research Department, briefed the Committee on State General Fund receipts estimates for FY 96 and FY 97 (Attachment 2), the second monthly report based on the revised estimates of SGF receipts in FY 96 made in November by the Consensus Estimating Group (Attachment 3), the SGF Profile (Attachment 4), and the current demand transfers from the SGF to other state funds (Attachment 5).

In the discussion of SGF receipts, Mr. Ryan told members that the income from farming operations is factored into the estimate of personal income (Table 1, Attachment 2-7).

Mr. Ryan noted for the Committee that the memorandum dated January 5, 1996 (Attachment 3) focuses on SGF receipts in November and December, 1996; the table (Attachment 3-2) incorporates actual receipts through October in both the estimated and actual columns. He commented that retail sales tax receipts are lower than projected, but a better indication will be available in the February report which will incorporate December sales and estimated individual income taxes.

In discussing the latest State General Fund profile (Attachment 4), Mr. Ryan told members that the profile is similar to the Governor's profile in volume 1 of the budget recommendations because the Research Department incorporated the Governor's recommendations for FY 96 and FY 97 and reflect the Governor's recommendations in the out years. He commented that the Governor has proposed changes in demand transfers which are detailed at the bottom of the chart (Attachment 4) and those recommendations are included in this profile. The Governor has adjusted consensus revenue estimates for FY 96 and FY 97 by recommending the following transfers:

-in FY 96 the Governor recommends a transfer of \$1.5 million from the military retirees pension refund fund

-in FY 97 he recommends a net transfer of \$6.6 million to the SGF, primarily from an accelerated payment of excess lottery receipts (there would be two payments occurring in FY 97). Included in the Governor's recommendations for FY 97 is a transfer from the SGF to Pittsburg State University of \$2 million for the technology center

-in FY 98-2000 the projections are based on 4.5% growth rates for taxes, and separate estimates for

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on January 16, 1996.

nontax revenue and demand transfers are capped as the same percentage increase as for total SGF expenditures (except for the School District Capital Improvements Fund)

In discussing the Governor's recommendations, it was noted by staff that capping the demand transfer to the State Highway Funding in FY 96 at 1.5% and incorporating the 1.4% growth rate on demand transfers in FY 97 will require changes in law.

Mr. Ryan told members that the table of current demand transfers (Attachment 5) reflects how demand transfers that are still in effect have been operating in recent years. In answer to a question, he stated that each percentage point reduction in the demand transfer to the State Highway Fund in FY 97 equates to a reduction of \$937,000. Mr. Ryan informed members the Research Department determined that there would be approximately a \$19 million annual reduction in the demand transfers to the State Highway Fund, the Local Ad Valorem Tax Reduction Fund, the Co.-City Revenue Sharing Fund and the City-Co. Highway Fund in the out years if the Governor's recommendation to cap demand transfers based on total growth of expenditures is enacted.

Some members expressed concern that the Governor's recommendations incorporate legal changes that the Legislature has not approved.

Russell Mills, Legislative Research Department, distributed and reviewed copies of information regarding the State Water Plan Fund and expenditures from that fund (Attachment 6). In answer to questions, he stated that the FY 95 ending balance was \$1.5 million which is carried forward. He told members that this is the last year of funding requests for the Cheyenne Bottoms project.

Eric Milstead, Kansas Legislative Research Department, provided and reviewed information regarding the Governor's recommendations for transfer to and expenditures from the Economic Development Initiatives Fund (Attachment 7). Questions were asked regarding the Governor's recommendation to eliminate the Kansas Value Added Center. Some concern was expressed that the program would be eliminated without legislative hearings. Senator Salisbury noted that the issue would receive hearings in the Commerce Committee.

It was moved by Senator Vancrum and seconded by Senator Petty that the minutes of the January 11 and January 12 meetings be approved. The motion carried on a roll call vote.

The Chairman adjourned the meeting at 12:00 noon. The next meeting is scheduled for January 17, 1996.

SENATE SUBCOMMITTEE ASSIGNMENTS

Senate Bills -- 1996

| | <u>Subcommittee</u> | <u>Analyst</u> | <u>Final Committee Action</u> |
|--|---------------------|----------------|---------------------------------------|
| Senate Bill No. 433 | | | |
| <u>Department of Administration -- KPERS</u> | | | |
| Department of Administration | <u>Vancrum</u> | Porter | February 9 |
| Public Broadcasting | Salisbury Karr | | |
| Governmental Standards | <u>Morris</u> | Pierron | |
| Human Rights Commission | Brady | Wiegers | |
| Kansas Corporation Commission | <u>Burke</u> | Rampey | |
| Citizens Utility Ratepayer Board | Petty | | |
| KPERS Budget | <u>Kerr</u> | Efird | February 14 |
| KPERS Issues | Morris Rock | | |

Senate Bill No. _____

Health and Environment

| | | | |
|--------------------------------------|------------------|----------|-------------|
| Department of Health and Environment | <u>Vancrum</u> | Mah | February 13 |
| Corporation for Change | Rock | West | |
| Human Resources | <u>Salisbury</u> | Milstead | |
| | Brady | | |
| Department on Aging | <u>Burke</u> | Colton | |
| | Karr | | |
| Veterans Affairs/Soldiers' Home | <u>Morris</u> | Wiegers | |
| Homestead Property Tax | Petty | Milstead | |
| Wildlife and Parks | <u>Moran</u> | Mills | |
| | Brady | | |

SWAM
January 16, 1996
Attachment 1

| Senate Bill No. _____ | <u>Subcommittee</u> | <u>Analyst</u> | <u>Final Committee Action</u> |
|--|--|----------------|---------------------------------------|
| <u>Higher Education</u> | | | |
| KU | <u>Burke</u> Karr | Howard | February 21 |
| KUMC | <u>Morris</u> Kerr | Howard | |
| KSU | <u>Moran</u> | Howard | |
| KSU -- Salina | Rock | | |
| KSU -- Vet. Med | | | |
| KSU -- Extension | | | |
| Pittsburg State University | | Mills | |
| Emporia State University | | | |
| Wichita State University | <u>Vancrum</u> Petty | Howard | |
| Fort Hays State University Board of Regents | <u>Lawrence</u> Kerr | Mills | |
| Regents Systemwide | <u>Kerr</u> Burke Vancrum Karr Brady | Howard/Mills | February 5 |
| | | | |
| Senate Bill No. _____ | | | |
| <u>Commerce/Revenue</u> | | | |
| Department of Revenue | <u>Salisbury</u> Morris Karr | Cawby | February 16 |
| Lottery Commission | <u>Burke</u> | Efird | |
| Racing Commission | Petty | | |
| Board of Tax Appeals | <u>Lawrence</u> Brady | Mah | |

| | <u>Subcommittee</u> | <u>Analyst</u> | <u>Final Committee Action</u> |
|---|--------------------------------|----------------|---------------------------------------|
| Department of Commerce and Housing | <u>Moran</u> Rock Kerr | Milstead | |
| Kansas Inc. Kansas Technology Enterprise Corporation | <u>Salisbury</u> Vancrum | Milstead | |
| Senate Bill No. ____ | | | |
| Capital Improvements | <u>Kerr</u> Vancrum Karr | Staff | February 20 |
| Senate Bill No. 433 | | | |
| <u>Fee Boards</u> | | | |
| Abstracters' Board of Examiners | <u>Kerr</u> | Mah | February 1 |
| Board of Accountancy | Petty | Porter | |
| Board of Mortuary Arts | | Cawby | |
| Board of Pharmacy | | Pierron | |
| Board of Barbering | | Wiegers | |
| Board of Cosmetology | | Wiegers | |
| Board of Veterinary Medical Examiners | | Cawby | |
| Kansas Dental Board | | Pierron | |
| Board of Nursing | | Milstead | |
| Board of Examiners in Optometry | | Colton | |
| Real Estate Commission | | Mah | |
| Real Estate Appraisal Board | | Mah | |
| Consumer Credit Commissioner | | Wiegers | |
| Bank Commissioner | | Wiegers | |
| Department of Credit Unions | | Wiegers | |
| Securities Commissioner | | Wiegers | |
| Board of Technical Professions | | Rampey | |
| Behavioral Sciences Regulatory Board | | Milstead | |
| Board of Hearing Aid Examiners | | Rampey | |
| Board of Healing Arts | | Pierron | |

| | <u>Subcommittee</u> | <u>Analyst</u> | <u>Final Committee Action</u> | |
|--|-------------------------|----------------|---------------------------------------|--|
| Senate Bill No. 426 | | | | |
| <u>Legislative and Elected Officials</u> | | | | |
| Legislative Agencies | <u>Moran</u> | Conroy | February 7 | |
| Governor | Rock | | | |
| Lt. Governor | | | | |
| Attorney General | <u>Lawrence</u> | Rampey | | |
| Secretary of State | Kerr | Pierron | | |
| Insurance Commissioner | Petty | Mah | | |
| State Treasurer | | Porter | | |
| Health Care Stabilization Fund Board of Governors | | Mah | | |
| Senate Bill No. 427 | | | | |
| <u>Public Safety</u> | | | | |
| Youth Center at Topeka | <u>Vancrum</u> | Cawby | February 19 | |
| Youth Center at Beloit | Lawrence | | | |
| Youth Center at Atchison | Morris | | | |
| Youth Center at Larned | | | | |
| Ombudsman for Corrections | <u>Vancrum</u> Brady | Robinson | | |
| Parole Board | <u>Lawrence</u> | Robinson | | |
| Adjutant General | Brady | Mills | | |
| Fire Marshal | <u>Kerr</u> | Cawby | | |
| Highway Patrol | Karr | Colton | | |
| KBI | <u>Moran</u> Petty | Porter | | |
| EMS | <u>Lawrence</u> | Mah | | |
| Civil Air Patrol | Moran | Cawby | | |
| Sentencing Commission | | Robinson | | |

SENATE SUBCOMMITTEE ASSIGNMENTS

House Bills -- 1996

| | <u>Subcommittee</u> | <u>Analyst</u> | <u>Final Committee Action</u> |
|---|--------------------------------|----------------|---------------------------------------|
| House Bill No. 2636 | | | |
| <u>Transportation</u> | <u>Burke</u> Morris Rock | Efird | March 6 |
| House Bill No. 2635 | | | |
| <u>Other Education</u> | | | |
| School for the Blind | <u>Salisbury</u> | Milstead | March 11 |
| School for the Deaf | Brady | | |
| Historical Society | <u>Burke</u> | Colton | |
| Kansas Arts Commission | Moran Petty | | |
| State Library | <u>Vancrum</u> | Pierron | |
| Council on Voc-Ed | Rock | Rampey | |
| House Bill No. 2637 | | | |
| <u>Corrections</u> | | | |
| Department of Corrections | <u>Vancrum</u> | Robinson | March 18 |
| Topeka Correctional Facility | Brady | | |
| Hutchinson Correctional Facility | <u>Salisbury</u> | Robinson | |
| Norton Correctional Facility | Moran | | |
| El Dorado Correctional Facility | Petty | | |
| Larned Correctional Mental Health Facility | <u>Morris</u> Karr | Robinson | |
| Winfield Correctional Facility | | | |
| Lansing Correctional Facility | <u>Lawrence</u> | Robinson | |
| Ellsworth Correctional Facility | Burke Rock | | |

| | <u>Subcommittee</u> | <u>Analyst</u> | <u>Final Committee Action</u> |
|--------------------------------------|---|----------------|---------------------------------------|
| House Bill No. _____ | | | |
| <u>Capital Improvements</u> | <u>Kerr</u> Vancrum Karr | Staff | March 15 |
| House Bill No. 2639 | | | |
| <u>Department of Education</u> | <u>Kerr</u> Salisbury Burke Karr Rock | Rampey | March 12 |
| House Bill No. 2634 | | | |
| <u>Judicial</u> | | | |
| Judicial Council | <u>Morris</u> | Porter | March 13 |
| Board of Indigents' Defense Services | Burke | | |
| Judicial Branch | <u>Lawrence</u> Rock | Porter | |
| House Bill No. 2638 | | | |
| <u>Agriculture</u> | | | |
| Department of Agriculture | <u>Morris</u> Petty | Colton | March 7 |
| Animal Health | <u>Lawrence</u> | Mills | |
| Grain Inspection | Burke | Cawby | |
| Wheat Commission | | Cawby | |
| Kansas State Fair | | Colton | |
| Conservation Commission | <u>Vancrum</u> | Mills | |
| Water Office | Rock | | |

Final
Committee
Action

House Bill No. _____

SRS

Department of SRS
Kansas Guardianship Program

Kerr
Salisbury
Vancrum
Rock
Petty

West
Colton

March 20

Larned State Hospital
Osawatomie State Hospital
Rainbow Mental Health Facility
Topeka State Hospital
SRS Community Mental Health

Burke
Lawrence
Brady

Wiegers

Colton

Parsons State Hospital
Winfield State Hospital
Kansas Neurological Institute
SRS Community MR/DD

Morris
Moran
Karr

Pierron

Colton

MEMORANDUM

Kansas Legislative Research Department

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November 6, 1995

To: Governor Bill Graves and Legislative Budget Committee
From: Kansas Division of the Budget and Kansas Legislative Research Department
Re: State General Fund Receipts Estimates for FY 1996 (Revised) and FY 1997

The Governor and the Legislature annually build the State General Fund budget based on revenue estimates developed using a consensus process involving the Division of the Budget, three consulting economists from state universities, the Legislative Research Department, and the Department of Revenue. On November 3, 1995, this group met and reduced the estimate for FY 1996 by \$27.3 million, or 0.8 percent, and developed the first estimate for FY 1997. The revised FY 1996 estimate of \$ 3.366 billion is 4.6 percent more than actual FY 1995 receipts of \$3.219 billion, and the FY 1997 estimate of \$3.520 billion is \$153.8 million, or 4.6 percent, over the revised FY 1996 estimate. The detailed "consensus estimates" agreed upon at the meeting are presented in Table 1. Table 2 compares the FY 1996 estimate made in April 1995 (as adjusted for legislation enacted after that meeting) with the November 1995 revised estimate.

Economic Forecast for Kansas

For several years, the Consensus Estimating Group has forecast that the Kansas economy would increase moderately. We believe such an expectation is appropriate for the current forecast period of November 1995 through June 1997. This 20-month period includes the last eight months of FY 1996 and all of FY 1997. It should be noted, however, that many unpredictable events could affect the Kansas economy during that period, including developments outside of the control of Kansas policy makers, such as changes in federal fiscal or monetary policies and actions taken by OPEC with regard to oil production and prices.

Kansas Personal Income. In calendar year 1994, Kansas personal income increased by 5.2 percent from the previous year. The forecast is for additional growth in 1995 of 5.8 percent, but for slower growth of 5.0 percent in 1996 and 4.6 percent in 1997.

Inflation Rate. Inflation, as measured by the Consumer Price Index for all Urban Consumers, rose by 2.6 percent in 1994, and is expected to increase by 2.8 percent in 1995 and 3.1 percent in both 1996 and 1997. All of those forecasts are less than the corresponding estimates of the growth rates in Kansas personal income.

Interest Rates. The Pooled Money Investment Board makes investments in bank certificates of deposit, repurchase agreements, and statutorily authorized securities. In FY 1995, the state earned 4.8

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Attachment 2

percent on the total portfolio. The average rate of return is estimated to be approximately 5.2 percent in both FY 1996 and FY 1997.

Oil and Gas Markets. The average price for natural gas is forecast at \$1.55 per mcf (thousand cubic feet) in FY 1997, slightly more than the estimated average price of \$1.42 in FY 1996. The taxable value of gas is estimated at \$1.045 billion in FY 1997 compared with the \$932.6 million estimated for FY 1996. This outlook is based on the assumption that Kansas weather will be close to normal throughout the forecast period. Crude oil prices are estimated to average \$16.00 per barrel in FY 1996, and \$16.50 in FY 1997. Taxable oil production will decline to 25.1 million barrels in FY 1996, continuing a steady declining trend, but will increase slightly to 26.0 million barrels in FY 1997 because it is estimated that the number of exempt barrels will decline. (Gross oil production is predicted to decline in both years, as it has each year since FY 1991.)

Economic Forecasts

| | <u>CY 1993</u> | <u>CY 1994</u> | <u>CY 1995*</u> | <u>CY 1996*</u> | <u>CY 1997*</u> |
|---|----------------|----------------|-----------------|-----------------|-----------------|
| Kansas Personal Income (growth rate) | 3.9% | 5.2% | 5.8% | 5.0% | 4.6% |
| Inflation Rate (CPI-U) | 3.0% | 2.6% | 2.8% | 3.1% | 3.1% |

| | <u>FY 1993</u> | <u>FY 1994</u> | <u>FY 1995</u> | <u>FY 1996*</u> | <u>FY 1997*</u> |
|-----------------------------------|----------------|----------------|----------------|-----------------|-----------------|
| Applicable interest rates** | 4.7% | 4.4% | 4.8% | 5.2% | 5.2% |
| Oil and Gas | | | | | |
| Oil price (avg. per bbl.) | \$18.79 | \$14.30 | \$16.03 | \$16.00 | \$16.50 |
| Taxable oil production (000 bbls) | 32,579 | 31,230 | 27,908 | 25,080 | 26,040 |
| Gas price (avg. per mcf-gross) | \$1.69 | \$1.81 | \$1.39 | \$1.42 | \$1.55 |
| Gas taxable value (\$000) | \$1,043,956 | \$1,151,546 | \$894,935 | \$932,585 | \$1,045,088 |

* Estimated.

** These are the rates on the total investment portfolio applicable to interest earnings for the State General Fund, based on the legislation enacted by the 1992 Legislature.

State General Fund Receipt Estimates

Fiscal Year 1996. The revised estimate of State General Fund receipts in FY 1996 is \$3.366 billion, which is \$27.3 million less than the estimate made on April 4, 1995 as adjusted for 1995 legislation enacted after that date. The revised estimate is 4.6 percent more than actual receipts in FY 1995. Details of the estimate are shown in Tables 1 and 2.

No single factor accounts for the revision of the FY 1996 receipt estimate. Each source was analyzed independently, and consideration was given to current economic forecasts, collection information provided by the Department of Revenue and the Insurance Department, and year-to-date receipts.

The largest decrease, \$33.0 million, from the April estimate was for the individual income tax. In FY 1995, receipts from this tax fell short of the final estimate by \$29.6 million. To make the estimate for FY 1996 made last April, receipts would have to increase by \$117.6 million or 9.4 percent from FY 1995 (in that year, receipts rose by \$52.7 million or 4.4 percent). The revised estimate for FY 1996 is that individual income tax revenue will increase by \$84.6 million or 6.8 percent, which is a greater increase than occurred in FY 1995.

Severance tax receipts have been reduced by a total of \$8.9 million. Most (\$7.6 million) of that estimated decrease is for the tax on natural gas and is the result of lowering the forecasts of both gross production and average price and increasing the exemption factor. The \$1.3 million reduction in receipts from the crude oil tax is primarily attributable to decreasing the estimate of the average price per barrel and increasing the exemption factor.

Last fiscal year, receipts from the privilege tax on financial institutions were below the final estimate by \$8.6 million or 27.5 percent. That fact, of course, led to a reevaluation of the estimate made last April for FY 1996. The result was to lower that estimate by \$6.0 million, but the new estimate is, nevertheless, \$2.6 million above actual receipts in FY 1995.

Revenue from insurance premiums taxes was reduced by \$5.6 million from the April estimate. To make the previous estimate for FY 1996, such tax receipts would have to increase by \$10.9 million or 12.3 percent in contrast to a growth of only 0.6 percent in FY 1995. The revised estimate for FY 1996 is that receipts will increase by about \$5.3 million or 6.0 percent.

The estimate of revenue from the compensating use taxes has been lowered by \$3.0 million. Receipts in the first four months of FY 1996 were \$2.4 million below the former estimate, but that trend is not expected to continue.

Partly offsetting the above negative revisions are some increases in the previous estimates for FY 1996, the most significant of which are discussed below.

Corporation income tax receipts have been raised by \$10.0 million, following a strong showing in FY 1995 when such receipts were \$19.4 million over the final estimate and grew by \$17.5 million over FY 1994. The revised estimates for FY 1996 would be even higher except for the fact that the Department of Revenue reports that there will be a \$7.0 million refund to one taxpayer. According to the Department, there will be no extraordinary assessments of corporation taxes in FY 1996.

Interest earnings credited to the General Fund have been raised by \$9.9 million mainly because of a glitch in the estimate made last April that understated the amount available for investment in FY 1996.

The increase of \$2.7 million in estimated motor carrier tax revenue is largely explained by expansion of the tax base due to implementation of the single-state registration system adopted in the wake of federal deregulation of the trucking industry.

Retail sales tax receipts have been revised upward by a relatively minor \$2.8 million. Even so, the growth from FY 1995 is a meager 2.1 percent, but that small rate of increase can be explained by

1995 legislation which eliminated the 2.5 percent tax on new construction labor services and on utilities consumed in production and which added some exemptions from the sales tax.

Based on what has already happened in FY 1996 or on new information, agency earnings have been increased by \$2.1 million, net transfers by \$1.3 million, and cigarette tax receipts by \$1.0 million.

Fiscal Year 1997. State General Fund receipts in FY 1997 are estimated to total \$3.520 billion, which would be \$153.8 million or 4.6 percent more than the revised estimate for FY 1996. Table 1 shows the details.

The principal sources of General Fund revenue are estimated to increase as follows: individual income tax by 6.0 percent (down from the 6.8 percent forecast for FY 1996); retail sales tax by 4.1 percent; corporation income tax, no increase; and compensating use taxes, by 3.9 percent. The growth in sales tax receipts is expected to resume a more normal pattern following the low growth rate in FY 1996 due to the aforementioned 1995 legislation which caused the estimated drag on receipts in FY 1996. As to the corporation income tax, pretax profits are estimated to decline (remember that FY 1996 receipts would be \$7.0 million more except for the refund to one taxpayer). No extraordinary assessments of corporation income taxes are expected in FY 1997, according to the Department of Revenue.

It should be noted that FY 1997 is the last year of a three-year phase down of the effective tax rate of the severance tax on natural gas. Thus, it is estimated that receipts from that source will decline slightly in spite of the forecast for an increase in gas production and the average price in FY 1997.

Accuracy of Consensus Revenue Estimates

For 22 years, State General Fund revenue estimates for Kansas have been developed using the current consensus process. Besides the three state agencies referred to on the first page, the economists currently involved in the process are Darwin Daicoff from the University of Kansas, Jarvin Emerson from Kansas State University, and John Wong from Wichita State University. Each of the three economists and each of the three agencies prepared independent revenue estimates and met on November 3, 1995, to discuss their estimates and agree upon one consensus estimate for each fiscal year.

The following table presents the estimates compared to the actual receipts since FY 1975 when use of the consensus process began. First, the original estimate is compared to actual collections, and then the final estimate is compared to actual receipts. In the first six fiscal years, actual receipts were higher than the original estimates by an average of 4.3 percent. In the next six years (FYs 1982-FY 1987), receipts were lower than the original estimates by an average of 6.3 percent. After FY 1987, actual receipts have been higher than the original estimates, except in FY 1992 when collections were 0.5 percent less than estimated.

As might be expected, there was a smaller difference between actual receipts and the final estimate since only three months remained in the fiscal year when the final estimate was made. In six of the past seven years, the difference was 1.0 percent or less. Also, note that in 7 of the 21 fiscal years actual receipts were below the final estimate.

STATE GENERAL FUND ESTIMATES

| Fiscal Year | Adjusted Original Estimate* | Adjusted Final Estimate** | Actual Receipts | Difference from Original Estimate | | Difference from Final Estimate | |
|-------------|-----------------------------|---------------------------|-----------------|-----------------------------------|---------|--------------------------------|---------|
| | | | | Amount | Percent | Amount | Percent |
| 1975 | -- | \$614.9 | \$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) | (0.2) |
| 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 | 2,031.5 | 2,113.1 | 153.1 | 7.8 | 81.6 | 4.0 |
| 1989 | 2,007.8 | 2,206.9 | 2,228.3 | 220.5 | 11.0 | 21.4 | 1.0 |
| 1990 | 2,241.2 | 2,283.3 | 2,300.5 | 59.3 | 2.6 | 17.2 | 0.8 |
| 1991 | 2,338.8 | 2,360.6 | 2,382.3 | 43.5 | 1.9 | 21.7 | 0.9 |
| 1992 | 2,478.7 | 2,454.5 | 2,465.8 | (12.9) | (0.5) | 11.3 | 0.5 |
| 1993 | 2,913.4 | 2,929.6 | 2,932.0 | 18.6 | 0.6 | 2.4 | 0.1 |
| 1994 | 3,040.1 | 3,126.8 | 3,175.7 | 135.6 | 4.5 | 48.9 | 1.6 |
| 1995 | 3,174.4 | 3,243.9 | 3,218.8 | 44.4 | 1.4 | (25.1) | (0.8) |

* The adjusted original estimate is the estimate made in November or December prior to the start of the next fiscal year in July and adjusted to account for legislation enacted, if any, which affected receipts to the General Fund.

** The final estimate made in March or April is the adjusted original estimate plus or minus changes subsequently made by the Consensus Estimating Group. It also includes the estimated impact of legislation on receipts.

Concluding Comments

Consensus revenue estimates are based on federal and state laws in effect when the estimates are made. The estimating group meets again in April 1996 to revise the estimates. Developments since November 3, 1995, which affect receipts, such as federal and state legislation and "final" court decisions, will be taken into account at the April meeting.

The estimates for FYs 1996 and 1997 make no attempt to account for the results of the Department of Revenue's Project 2000, a new program designed to increase taxpayer compliance with existing laws and to collect amounts legally due. It is not known at this time how much more money will be collected and credited to the General Fund, but, whatever the amount, most or all of it will be transferred from the General Fund to pay for contractual services during the forecast period.

Table 1
State General Fund Receipts
(In Thousands)

| | Consensus Estimates, November 3, 1995 | | | | | |
|---------------------|---------------------------------------|-------------------------|-------------------|-------------------------|---------------|-------------------------|
| | FY 1995 | | FY 1996 (Revised) | | FY 1997 | |
| | <u>Amount</u> | <u>Percent Increase</u> | <u>Amount</u> | <u>Percent Increase</u> | <u>Amount</u> | <u>Percent Increase</u> |
| Property Tax: | | | | | | |
| Motor Carrier | \$11,722 | 12.8 % | \$15,500 | 32.2 % | \$16,700 | 7.7 % |
| Income Taxes: | | | | | | |
| Individual | \$1,245,397 | 4.4 % | \$1,330,000 | 6.8 % | \$1,410,000 | 6.0 % |
| Corporation | 229,421 | 8.2 | 215,000 | (6.3) | 215,000 | 0.0 |
| Financial Inst. | 30,438 | (27.5) | 33,000 | 8.4 | 35,000 | 6.1 |
| Domestic Ins. Co. | 1,549 | 63.4 | 660 | (57.4) | 775 | 17.4 |
| Total | \$1,506,804 | 4.1 % | \$1,578,660 | 4.8 % | \$1,660,775 | 5.2 % |
| Inheritance | \$56,691 | (35.3)% | \$60,000 | 5.8 % | \$62,000 | 3.3 % |
| Excise Taxes: | | | | | | |
| Retail Sales | \$1,160,722 | 5.1 % | \$1,185,000 | 2.1 % | \$1,234,000 | 4.1 % |
| Compensating Use | 148,026 | 11.9 | 152,000 | 2.7 | 158,000 | 3.9 |
| Cigarette | 52,272 | 1.4 | 53,000 | 1.4 | 53,500 | 0.9 |
| Tobacco Prod. | 2,680 | 5.5 | 2,900 | 8.2 | 3,100 | 6.9 |
| Cereal Malt Bev. | 2,694 | (0.8) | 2,500 | (7.2) | 2,400 | (4.0) |
| Liquor Gallonage | 12,529 | 1.2 | 12,600 | 0.6 | 12,700 | 0.8 |
| Liquor Enforce. | 24,789 | 1.1 | 25,600 | 3.3 | 26,000 | 1.6 |
| Liquor Dr. Places | 4,624 | 2.8 | 4,700 | 1.6 | 4,800 | 2.1 |
| Corp. Franchise | 12,025 | 3.3 | 12,800 | 6.4 | 13,300 | 3.9 |
| Severance | 71,737 | (23.8) | 60,800 | (15.2) | 60,100 | (1.2) |
| Gas | 55,832 | (26.5) | 44,600 | (20.1) | 42,800 | (4.0) |
| Oil | 15,905 | (12.8) | 16,200 | 1.9 | 17,300 | 6.8 |
| Total | \$1,492,098 | 3.6 % | \$1,511,900 | 1.3 % | \$1,567,900 | 3.7 % |
| Other Taxes: | | | | | | |
| Insurance Prem. | \$88,417 | 0.6 % | \$93,700 | 6.0 % | \$98,600 | 5.2 % |
| Miscellaneous | 1,729 | (10.0) | 1,800 | 4.1 | 1,900 | 5.6 |
| Total | \$90,146 | 0.4 % | \$95,500 | 5.9 % | \$100,500 | 5.2 % |
| Total Taxes | \$3,157,462 | 2.7 % | \$3,261,560 | 3.3 % | \$3,407,875 | 4.5 % |
| Other Revenues: | | | | | | |
| Interest | \$62,235 | 21.8 % | \$68,800 | 10.5 % | \$71,800 | 4.4 % |
| Net Transfers | (42,700) | -- | (7,900) | -- | (4,500) | 43.0 |
| Agency Earnings | 41,810 | (28.2) | 44,000 | 5.2 | 45,100 | 2.5 |
| Total Other Revenue | \$61,345 | (38.7)% | \$104,900 | 71.0 % | \$112,400 | 7.1 % |
| Total Receipts | \$3,218,807 | 1.4 % | \$3,366,460 | 4.6 % | \$3,520,275 | 4.6 % |

Table 2

State General Fund Receipts -- Comparison of Estimates for FY 1996
 Made on April 4, 1995, and November 3, 1995 (In Thousands)

| | Estimate * <u>4/4/95</u> | Revised Estimate <u>11/3/95</u> | <u>Difference</u> |
|---------------------|-----------------------------|---------------------------------------|--------------------------|
| Property Tax: | | | |
| Motor Carrier | \$12,800 | \$15,500 | \$2,700 |
| Income Taxes: | | | |
| Individual | \$1,363,000 | \$1,330,000 | (\$33,000) |
| Corporation | 205,000 | 215,000 | 10,000 |
| Financial Inst. | 39,000 | 33,000 | (6,000) |
| Domestic Ins. Co. | 1,715 | 660 | (1,055) |
| Total | <u>\$1,608,715</u> | <u>\$1,578,660</u> | <u>(\$30,055)</u> |
| Inheritance | \$60,000 | \$60,000 | \$0 |
| Excise Taxes: | | | |
| Retail Sales | \$1,182,230 | \$1,185,000 | \$2,770 |
| Compensating Use | 155,000 | 152,000 | (3,000) |
| Cigarette | 52,000 | 53,000 | 1,000 |
| Tobacco Prod. | 2,900 | 2,900 | 0 |
| Cereal Malt Bev. | 2,500 | 2,500 | 0 |
| Liquor Gallonage | 12,600 | 12,600 | 0 |
| Liquor Enforce. | 25,500 | 25,600 | 100 |
| Liquor Dr. Places | 4,700 | 4,700 | 0 |
| Corp. Franchise | 12,400 | 12,800 | 400 |
| Severance | 69,700 | 60,800 | (8,900) |
| Gas | 52,200 | 44,600 | (7,600) |
| Oil | 17,500 | 16,200 | (1,300) |
| Total | <u>\$1,519,530</u> | <u>\$1,511,900</u> | <u>(\$7,630)</u> |
| Other Taxes: | | | |
| Insurance Prem. | \$99,300 | \$93,700 | (\$5,600) |
| Miscellaneous | 1,800 | 1,800 | 0 |
| Total | <u>\$101,100</u> | <u>\$95,500</u> | <u>(\$5,600)</u> |
| Total Taxes | \$3,302,145 | \$3,261,560 | (\$40,585) |
| Other Revenues: | | | |
| Interest | \$58,900 | \$68,800 | \$9,900 |
| Net Transfers | (9,197) | (7,900) | 1,297 |
| Agency Earnings | 41,932 | 44,000 | 2,068 |
| Total Other Revenue | \$91,635 | \$104,900 | \$13,265 |
| Total Receipts | <u><u>\$3,393,780</u></u> | <u><u>\$3,366,460</u></u> | <u><u>(\$27,320)</u></u> |

* As adjusted for legislation enacted subsequent to this meeting.

MEMORANDUM

Kansas Legislative Research Department

300 S.W. 10th Avenue
Room 545-N -- Statehouse
Topeka, Kansas 66612-1504
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January 5, 1996

To: Legislative Budget Committee

STATE GENERAL FUND (SGF) RECEIPTS

July-December, FY 1996

This is the second monthly report based on the revised estimates of SGF receipts in FY 1996 made by the Consensus Estimating Group on November 3. The figures in the "Estimate" and "Actual" columns under FY 1996 in the following table include actual receipts in July-October. Thus, this report essentially deals with the difference between estimated and actual receipts for November and December.

For those two months, it was estimated that receipts would total \$562.218 million. Actual receipts exceeded the estimate by \$31.806 million, or 5.7 percent.

Inheritance tax revenue was \$32.408 million over the estimate, mainly because in December \$31.254 million was received from one estate. When it met in November, the Consensus Estimating Group did not know that such an extraordinary payment would be made in FY 1996 or FY 1997. **Without that exceptional payment, total SGF receipts would have been about the same as estimated.**

Also, exceeding the estimate by \$1 million or more were receipts from individual income taxes, by \$7.867 million, and corporation income taxes, by \$3.018 million.

But falling short of the estimate by at least \$1 million were insurance premium taxes, by \$2.475 million; sales tax, by \$2.439 million; agency earnings and miscellaneous revenue, by \$1.583 million; net transfers, by \$1.532 million; financial institutions privilege tax, by \$1.317 million; and compensating use taxes, by \$1.248 million.

Receipts from all of the other 11 sources of revenue were \$0.893 million (net) under the estimate.

Compared to the first half of FY 1995, total receipts through December were 5.1 percent greater. But the increase would have been 3.1 percent had not there been the extraordinary inheritance tax payment.

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SWAM
January 16, 1996
Attachment 3

STATE GENERAL FUND RECEIPTS
July - December, FY1996
(dollar amounts in thousands)

| | Actual FY1995 | FY 1996 | | | Percent Increase-- FY 1996 Over | |
|------------------------------|---------------------|---------------------|---------------------|------------------|------------------------------------|--------------|
| | | Estimate* | Actual | Difference | FY 1995 | Estimate |
| Property Tax: | | | | | | |
| Motor Carriers | \$ 6,840 | \$ 8,800 | \$ 8,024 | \$ (776) | 17.3 % | (8.8) % |
| Income Taxes: | | | | | | |
| Individual | \$ 545,627 | \$ 580,000 | \$ 587,867 | \$ 7,867 | 7.7 % | 1.4 % |
| Corporation | 98,652 | 105,000 | 108,018 | 3,018 | 9.5 | 2.9 |
| Financial Inst. | 15,063 | 14,900 | 13,583 | (1,317) | (9.8) | (8.8) |
| Domestic Ins. Co. | (28) | 3 | 3 | 0 | --- | 0.0 |
| Total | \$ 659,315 | \$ 699,903 | \$ 709,471 | \$ 9,568 | 7.6 % | 1.4 % |
| Inheritance Tax | \$ 28,854 | \$ 29,600 | \$ 62,008 | \$ 32,408 | 114.9 % | 109.5 % |
| Excise Taxes: | | | | | | |
| Retail Sales | \$ 589,399 | \$ 595,100 | \$ 592,661 | \$ (2,439) | 0.6 % | (0.4) % |
| Comp. Use | 73,545 | 73,900 | 72,652 | (1,248) | (1.2) | (1.7) |
| Cigarette | 26,782 | 27,200 | 26,974 | (226) | 0.7 | (0.8) |
| Tobacco Prod. | 1,403 | 1,480 | 1,480 | 0 | 5.5 | 0.0 |
| Cereal Malt Bev. | 1,495 | 1,345 | 1,361 | 16 | (9.0) | 1.2 |
| Liquor Gallonage | 6,500 | 6,500 | 6,484 | (16) | (0.2) | (0.2) |
| Liquor Enforce. | 12,435 | 12,900 | 12,985 | 85 | 4.4 | 0.7 |
| Liquor Dr. Places | 2,289 | 2,340 | 2,372 | 32 | 3.6 | 1.4 |
| Corp. Franchise | 4,431 | 4,930 | 4,883 | (47) | 10.2 | (1.0) |
| Severance | 38,056 | 27,400 | 27,541 | 141 | (27.6) | 0.5 |
| Gas | 29,997 | 19,900 | 20,088 | 188 | (33.0) | 0.9 |
| Oil | 8,059 | 7,500 | 7,453 | (47) | (7.5) | (0.6) |
| Total | \$ 756,335 | \$ 753,095 | \$ 749,393 | \$ (3,702) | (0.9) % | (0.5) % |
| Other Taxes: | | | | | | |
| Insurance Prem. | \$ 38,982 | \$ 40,200 | \$ 37,725 | \$ (2,475) | (3.2) % | (6.2) % |
| Miscellaneous | 440 | 490 | 484 | (6) | 10.0 | (1.2) |
| Total | 39,422 | 40,690 | 38,209 | (2,481) | (3.1) % | (6.1) % |
| Total Taxes | \$ 1,490,766 | \$ 1,532,088 | \$ 1,567,105 | \$ 35,017 | 5.1 % | 2.3 % |
| Other Revenue: | | | | | | |
| Interest | \$ 29,720 | \$ 34,908 | \$ 34,812 | \$ (96) | 17.1 % | (0.3) % |
| Transfers (net) | (3,784) | (1,797) | (3,329) | (1,532) | 12.0 | (85.3) |
| Agency Earnings and Misc. | 24,958 | 23,223 | 21,640 | (1,583) | (13.3) | (6.8) |
| Total | \$ 50,894 | \$ 56,334 | \$ 53,123 | \$ (3,211) | 4.4 % | (5.7) % |
| TOTAL RECEIPTS | \$ 1,541,660 | \$ 1,588,422 | \$ 1,620,228 | \$ 31,806 | 5.1 % | 2.0 % |

* Consensus estimate as of November 3, 1995.

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

STATE GENERAL FUND PROFILE

In Millions

Governor's Recommendations for FYs 1996 and 1997

| | FY 1995 | Increase | FY 1996 | Increase | FY 1997 | Increase | FY 1998 | Increase | FY 1999 | Increase | FY 2000 | Increase |
|---|----------|----------|----------|----------|----------|-----------|----------|----------|----------|----------|----------|----------|
| Beginning Balance | \$ 454.4 | | \$ 367.0 | | \$ 261.6 | | \$ 266.7 | | \$ 274.8 | | \$ 286.8 | |
| Released Encumbrances | 3.6 | | 1.1 | | | | | | | | | |
| Receipts ^a | 3,218.8 | 1.4% | 3,368.0 | 4.6% | 3,526.9 | 4.7% | 3,672.5 | 4.1% | 3,835.9 | 4.4% | 4,004.5 | 4.4% |
| Expenditures | | | | | | | | | | | | |
| Gen. and Supp. School Aids ^b | 1,337.2 | \$ 31.0 | 1,381.8 | \$ 44.6 | 1,368.8 | \$ (13.0) | 1,382.9 | \$ 14.1 | 1,400.7 | \$ 17.8 | 1,401.7 | \$ 1.0 |
| Demand Transfer to: | | | | | | | | | | | | |
| SDCIF | 11.0 | 3.9 | 16.5 | 5.5 | 20.5 | 4.0 | 22.5 | 2.0 | 24.5 | 2.0 | 25.0 | 0.5 |
| SHF | 81.5 | 2.4 | 83.2 | 1.7 | 84.4 | 1.2 | 87.8 | 3.4 | 91.7 | 3.9 | 95.7 | 4.0 |
| LAVTRF | 44.6 | 4.4 | 46.3 | 1.7 | 46.9 | 0.6 | 48.8 | 1.9 | 50.9 | 2.1 | 53.1 | 2.2 |
| CCRSF | 33.4 | 2.7 | 34.6 | 1.2 | 35.1 | 0.5 | 36.5 | 1.4 | 38.1 | 1.6 | 39.8 | 1.7 |
| CCHF | 10.0 | 0.3 | 10.4 | 0.4 | 10.6 | 0.2 | 11.0 | 0.4 | 11.5 | 0.5 | 12.0 | 0.5 |
| WPF | 5.9 | 0.2 | 6.0 | 0.1 | 6.0 | -- | 6.0 | -- | 6.0 | -- | 6.0 | -- |
| State Fair | 0.1 | -- | 0.2 | 0.1 | 0.1 | (0.1) | 0.1 | -- | 0.1 | -- | 0.1 | -- |
| All Other Expend. | 1,786.1 | 153.9 | 1,895.5 | 109.4 | 1,949.4 | 53.9 | 2,068.8 | 119.4 | 2,200.4 | 131.6 | 2,358.5 | 158.1 |
| Total | 3,309.8 | 198.8 | 3,474.5 | 164.7 | 3,521.8 | 47.3 | 3,664.4 | 142.6 | 3,823.9 | 159.5 | 3,991.9 | 168.0 |
| Percent Increase | | 6.4% | | 5.0% | | 1.4% | | 4.0% | | 4.4% | | 4.4% |
| Ending Balance | 367.0 | | 261.6 | | 266.7 | | 274.8 | | 286.8 | | 299.4 | |
| % of Expenditures | 11.1% | | 7.5% | | 7.6% | | 7.5% | | 7.5% | | 7.5% | |
| Receipts in Excess of Expend. | (91.0) | | (106.5) | | 5.1 | | 8.1 | | 12.0 | | 12.6 | |

SWAM
January 16, 1996
Attachment 4

Demand Transfers

| | |
|--|--|
| <p>SDCIF -- School District Capital Improvements Fund. SHF -- State Highway Fund* LAVTRF -- Local Ad Valorem Tax Reduction Fund CCRSF -- County-City Revenue Sharing Fund CCHF -- City-County Highway Fund* WPF -- Water Plan Fund* *For FY 1995, the SHF, CCHF, and WPF transfers were capped at 3 percent over FY 1994 actual.</p> | <p>Demand transfers for FY 1996 are capped at no greater than a 3.7 percent increase above the FY 1995 levels with the exception of the SDCIF and the State Fair; in addition, the Governor's proposed 1.5 percent reduction applies to the SHF transfer. For FYs 1997 through 2000, the demand transfers are capped at the same percentage increase as for total SGF expenditures (except SDCIF), as indicated in the Governor's profile.</p> |
|--|--|

FOOTNOTES:

- a) Receipts for FYs 1996 and 1997 reflect the November, 1995 consensus estimates as adjusted by the Governor for various transfers. The projections for FYs 1998 through 2000 are not consensus estimates of receipts but are based on an annual growth rate of 4.5 percent for total taxes and separate estimates for nontax revenue.
- b) General and supplemental school aid payments in FYs 1996 and 1997 were revised on October 30, 1995. For FYs 1998 through 2000, projections were based on \$3,626 per pupil and full funding of the correlation weighting factor added by 1995 legislation.

Kansas Legislative Research Department
January 12, 1996

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4-2

SWAM
 January 16, 1996
 Attachment 5

CURRENT DEMAND TRANSFERS FROM STATE GENERAL FUND TO OTHER STATE FUNDS
 In Thousands

| Fund | FY 1991 | | | FY 1992 | | | FY 1993 | | | FY 1994 | | |
|--------------------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-----------------|-------------------|-------------------|-----------------|-------------------|-------------------|-----------------|
| | No Law Change | Actual | Reduction | No Law Change | Actual | Reduction | No Law Change | Actual | Reduction | No Law Change | Actual | Reduction |
| State Highway | \$ 75,695 | \$ 74,371 | \$ 1,324 | \$ 78,813 | \$ 78,025 | \$ 788 | \$ 77,836 | \$ 75,501 | \$ 2,335 | \$ 82,374 | \$ 79,079 | \$ 3,295 |
| Local Ad Valorem Tax Reduction | 37,164 | 37,164 | -- | 38,966 | 38,576 | 390 | 40,540 | 39,324 | 1,216 | 41,971 | 40,293 | 1,678 |
| Co.-City Revenue Sharing | 28,351 | 28,351 | -- | 29,461 | 29,166 | 295 | 31,153 | 30,218 | 935 | 31,905 | 30,629 | 1,276 |
| City-Co. Highway | 9,213 | 9,052 | 161 | 9,866 | 9,768 | 98 | 9,929 | 9,631 | 298 | 10,149 | 9,743 | 406 |
| Water Plan | 6,000 | 5,895 | 105 | 6,000 | 5,940 | 60 | 6,000 | 5,820 | 180 | 6,000 | 5,760 | 240 |
| School Dist. Cap. Improve. | -- | -- | -- | -- | -- | -- | 4,561 | 4,561 | -- | 7,061 | 7,061 | -- |
| State Fair | -- | -- | -- | 149 | 148 | 1 | 108 | 108 | -- | 117 | 117 | -- |
| TOTAL | \$ 156,423 | \$ 154,833 | \$ 1,590 | \$ 163,255 | \$ 161,623 | \$ 1,632 | \$ 170,127 | \$ 165,163 | \$ 4,964 | \$ 179,577 | \$ 172,682 | \$ 6,895 |

| Fund | FY 1995 | | | FY 1996 | | | FY 1997 | | | Total Reduction FY 1991-FY 1997 |
|--------------------------------|-------------------|-------------------|-----------------|-------------------|--------------------|------------------|-------------------|-------------------|------------------|---------------------------------|
| | No Law Change | Actual | Reduction | No Law Change | Proposed or Actual | Reduction | No Law Change | Proposed | Reduction | |
| State Highway | \$ 88,089 | \$ 81,451 | \$ 6,638 | \$ 89,293 | \$ 83,198 | \$ 6,095 | \$ 93,709 | \$ 84,363 | \$ 9,346 | \$ 29,821 |
| Local Ad Valorem Tax Reduction | 44,649 | 44,649 | -- | 47,054 | 46,301 | 753 | 48,620 | 46,949 | 1,671 | 5,708 |
| Co.-City Revenue Sharing | 33,375 | 33,375 | -- | 36,070 | 34,610 | 1,460 | 37,117 | 35,095 | 2,022 | 5,988 |
| City-Co. Highway | 11,169 | 10,036 | 1,133 | 13,751 | 10,407 | 3,344 | 16,200 | 10,553 | 5,647 | 11,087 |
| Water Plan | 6,000 | 5,933 | 67 | 6,000 | 6,000 | -- | 6,000 | 6,000 | -- | 652 |
| School Dist. Cap. Improve. | 10,986 | 10,986 | -- | 16,500 | 16,500 | -- | 20,500 | 20,500 | -- | -- |
| State Fair | 146 | 146 | -- | 153 | 153 | -- | 120 | 120 | -- | 1 |
| TOTAL | \$ 194,414 | \$ 186,576 | \$ 7,838 | \$ 208,821 | \$ 197,169 | \$ 11,652 | \$ 222,266 | \$ 203,580 | \$ 18,686 | \$ 53,257 |

Note: 1987 S.B. 383 required a reduction of 3.8 percent in transfers to be made in CYs 1988 and 1989 to the Local Ad Valorem Tax Reduction Fund and the Co.-City Revenue Sharing Fund. The reductions were:

LAVTRF \$2.653 million (FYs 88-90)
 CCRSF 2.063 million (FYs 89-90)
 \$4.716

FY 1991 -- the three reductions were 1.75 percent

FY 1992 -- all reductions were 1.0 percent as recommended by the Governor and approved by the Finance Council

FY 1993 -- the five reductions were 3.0 percent

FY 1994 -- the five reductions were 4.0 percent

FY 1995 -- the three transfers affected were capped at 3 percent over FY 1994 actual

FY 1996 -- the four transfers affected were capped at 3.7 percent over FY 1995 actual and the Governor recommends a further reduction of 1.5 percent re the transfer to the SHF

FY 1997 -- the Governor recommends an increase of no more than 1.4 percent (the same as his growth rate in total SGF expenditures), except for the School District Capital Improvement Fund

State Water Plan Fund

The Kansas Water Authority, which consists of 13 voting members along with 10 ex-officio members, has continued to evaluate the water needs of the state during the past year. A number of policies pertaining to planning, flooding, water quality, and water rights are under development and are reflected in specific expenditure recommendations. The Kansas Water Authority endorsed the Governor's plan to improve water quality in the Kansas-Lower Republican Basin as the first phase of the Governor's Water Quality Initiative. Over time, the Initiative, which began in FY 1996, will focus on the clean up of surface water in each basin. The majority of the funding for the Governor's Water Quality Initiative in FY 1996 came from savings on various water projects within the Kansas Water Office. Other agencies involved with the State Water Plan are in the process of targeting programs into the Kansas-Lower Republican Basin.

In FY 1997, five state agencies receive State Water Plan Fund monies to implement water resource activities consistent with the goals and objectives outlined in the *Kansas Water Plan* and the Annual Implementation Plan approved by the Kansas Water Authority in July 1995. Those state agencies are the Department of Agriculture, the State Conservation Commission, the Department of Health and Environment, the Kansas Water Office, and the Department of Wildlife and Parks.

Recommendations in FY 1997 continue several large-scale projects. Included is the multi-year project renovating Cheyenne Bottoms Wildlife Area near Great Bend, a major wetland resource of the state. Funding is also continued for the Water Resources Board of the Department of Agriculture's comprehensive sub-basin management plan.

The Governor also continues aid to the state's conservation districts by recommending \$1,008,892 from the State Water Plan Fund. Major projects dealing with the elimination and clean-up of non-point source pollution, the clean-up of contaminated sites, and grants for hazardous waste management programs are all funded through the State Water Plan

Fund. The common goal is to improve the state's water quality by eliminating pollutants, while providing incentives to Kansas citizens to continue safe practices to protect the state's water supplies. For FY 1996, expenditures totaling \$18,858,058 are recommended from the State Water Plan Fund. These expenditures reflect action taken by the 1995 Legislature as well as some revisions which represent more recent expenditure activity of the various projects.

The Governor's recommendation for FY 1997 expenditures totals \$18,205,502. The amount recommended requires new transfers from the State Water Plan Fund of \$16,527,096. The recommendation is based on estimated receipts to the State Water Plan Fund of \$16,210,594, a projected \$491,272 of unencumbered balances in the fund, and projected reappropriated balances in various agency accounts from FY 1996 of \$1,677,272. The sum of these amounts brings the total available funds in the State Water Plan Fund to \$18,379,138 for FY 1997.

| State Water Plan Fund | |
|---------------------------|---------------------|
| Funding Sources | FY 1997 |
| SGF Transfer | 6,000,000 |
| EDIF Transfer | 2,000,000 |
| Municipal Water Use Fees | 3,300,000 |
| Industrial Water Use Fees | 1,200,000 |
| Stock Water Use Fees | 220,000 |
| Pesticide Label Fees | 800,700 |
| Fertilizer Use Fees | 2,534,000 |
| Environmental Fines | 25,594 |
| Sand Royalty Fund | 130,300 |
| Total | \$16,210,594 |

The past several years have seen revenues for the State Water Plan Fund increase by an average of 2.0 percent. The State General Fund amount is still \$6.0 million, while the various fees have increased or new fees have been added.

The next page gives a summary of all State Water Plan Fund expenditures, as well as summaries of other agricultural agency budgets.

SWAM
January 16, 1996
Attachment 6

State Water Plan Fund Expenditures

| | FY 1996 Expenditures | FY 1997 Request | FY 1997 Recommendation |
|--|-------------------------|----------------------|---------------------------|
| Department of Agriculture | | | |
| Floodplain Management | - | 60,420 | 60,420 |
| Interstate Water Issues | 200,000 | 251,544 | 250,000 |
| Sub-basin Reservoir Management Plan | 674,689 | 638,267 | 637,514 |
| Non-Point Source Pollution--Statistics Division | - | 44,000 | 20,000 |
| Water Rights Backlog | 364,410 | - | - |
| Total--Department of Agriculture | \$1,239,099 | \$994,231 | \$967,934 |
| State Conservation Commission | | | |
| Water Resources Cost-Share | 5,125,656 | 5,500,000 | 5,200,000 |
| Multi-Purpose Small Lakes | 693,705 | 1,645,395 | 800,000 |
| Non-Point Source Program | 2,140,928 | 2,800,000 | 2,216,750 |
| Watershed Dam Construction | 913,039 | 1,200,000 | 1,000,000 |
| Watershed Planning Assistance | 44,328 | 155,000 | 50,000 |
| State Aid to Conservation Districts | 1,006,457 | 1,008,892 | 1,008,892 |
| Riparian and Wetlands Program | 274,278 | 150,000 | 100,000 |
| Total--Conservation Commission | \$10,198,391 | \$12,459,287 | \$10,375,642 |
| Health and Environment | | | |
| Contamination Remediation | 1,147,472 | 2,000,900 | 1,800,000 |
| Local Environmental Aid | 1,800,000 | 2,000,000 | 2,000,000 |
| Public Water Supply Outreach | 200,000 | 200,000 | 200,000 |
| Household Hazardous Waste | 150,000 | 150,000 | - |
| Non-Point Source Program | 610,738 | 635,991 | 620,000 |
| Total--Health and Environment | \$3,908,210 | \$4,986,891 | \$4,620,000 |
| University of Kansas | | | |
| Dakota Aquifer Study | 200,000 | - | - |
| Total--University of Kansas | \$200,000 | - | - |
| Kansas Water Office | | | |
| Neosho Sub-basin Plan | 50,000 | 50,000 | - |
| Republican Sub-basin Evaluation | 126,386 | 70,000 | 70,000 |
| Mineral Intrusion-Big Bend Prairie | 65,000 | - | - |
| Technical Assistance to Water Users | 231,667 | 200,000 | 200,000 |
| Basin Assessment | - | 50,000 | 20,000 |
| Environmental Education | 50,000 | 50,000 | 50,000 |
| Water Quality Planning Assistance | - | 50,000 | 20,000 |
| Stream Gauging Program | 302,175 | 330,300 | 330,300 |
| GIS Data Access and Support Center | 120,000 | 132,000 | 132,000 |
| GIS Data Base Development and GIS Manager | 363,611 | 312,307 | 313,351 |
| Storage Acq./Op. and Maint. at Milford and Perry | - | 1,075,963 | - |
| Storage Aquisition/Operation and Maintanance | 270,813 | 286,275 | 286,275 |
| Weather Modification | 190,000 | 190,000 | 92,000 |
| Water Quality in the Upper Arkansas | 35,000 | 75,000 | 75,000 |
| Other Programs | 92,200 | 155,000 | 115,000 |
| Governor's Water Quality Initiative | 453,543 | - | - |
| Total--Kansas Water Office | \$2,350,395 | \$3,026,845 | \$1,703,926 |
| Department of Wildlife and Parks | | | |
| Cheyenne Bottoms | 1,000,000 | 500,000 | 500,000 |
| Riprap at Cheney Reservoir | 78,935 | - | - |
| Hillsdale State Park Development | 13,639 | - | - |
| Neosho Madtom/Stream Monitoring | 50,000 | 50,000 | 38,000 |
| Total--Wildlife and Parks | \$1,142,574 | \$550,000 | \$538,000 |
| Total Expenditures/Transfers | \$19,038,669 | \$22,017,254 | \$18,205,502 |
| Balance | \$2,655,431 | (\$3,638,116) | \$174,770 |

MEMORANDUM

Kansas Legislative Research Department

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January 16, 1996

From: Eric Milstead, Fiscal Analyst

Re: Economic Development Initiatives Fund -- A Brief Status Report Based on the Governor's Recommendations (FY 1996 and FY 1997)

The Governor's recommended FY 1997 Economic Development Initiatives Fund (EDIF) transfers and expenditures total \$44,207,884, a reduction of \$3,691,553, or 7.7 percent from the FY 1996 recommended total. The State Gaming Revenues Fund receives transfers from receipts generated by the Kansas Lottery and the Kansas Racing Commission. Transfers are then made from the gaming fund for economic development initiatives and other projects.

Transfers to the EDIF are based on a statutory formula, whereby 85 percent of the gaming fund is transferred to the EDIF (K.S.A. 1995 Supp. 79-4804). Transfers from the gaming fund, however, are limited to \$50 million in a given fiscal year. Consequently, estimated transfers to the EDIF are limited to \$42.5 million, annually.

The attached table reflects the Governor's recommended EDIF expenditures for FY 1996 and FY 1997. Those recommendations are based on the Governor's estimated available EDIF resources of \$49.5 million in FY 1996 and \$44.3 million in FY 1997.

FY 1997

Principal recipients of EDIF financing in FY 1997 are consistent with those of the recent past. Recommendations include: the Department of Commerce and Housing (\$17,884,121); KTEC, (\$13,944,421); and the Department of Education (\$9,705,000).

Notable recommended FY 1997 reductions include: a \$150,000 decrease in recommended expenditures in the Strategic Planning Grants program (KDOC&H); elimination of all EDIF funding

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Attachment 7

(\$65,000) for the Wichita Mid-America World Trade Center (KDOC&H); a \$200,000 reduction in the Applied Research Matching Grant program (KTEC); a net reduction of \$680,737 from the Kansas Value Added Center -- the Governor has recommended eliminating KVAC while maintaining portions of its industrial agriculture function. To that end, the Governor has recommended \$200,000 (EDIF) for Industrial Agriculture Grants (KTEC).

The Governor also recommends elimination of EDIF expenditures for: the State Fair (FY 1996 recommended EDIF expenditures -- \$114,000); the Department of Wildlife and Parks (FY 1996 recommended expenditures -- \$115,000); and, the Kansas Arts Commission (FY 1996 recommended expenditures -- \$500,000).

The Governor is recommending three new programs to be funded from the EDIF. Those include:

- Kansas Existing Industry Expansion Project (KEEP) (\$1,000,000) -- designed to focus on existing small businesses in rural Kansas (KDOC&H);
- One-Stop Career Center System (\$500,000) -- anticipated to transform a collection of separate workforce development programs, administered by several agencies, into a customer-focused system accessible to all Kansans. (The Governor anticipates that federal funds will be available to assist in implementing the program (KDHR)); and
- the Industrial Agriculture Grants program, noted above, (KTEC, \$200,000).

FY 1996

The Governor's FY 1996 recommendations approximate those approved by the 1995 Legislature. The Governor recommends \$47,899,437, an increase of \$103,650, or 0.2 percent, compared to that approved by the Legislature. The increase is found in the Department of Commerce and Housing where the Governor's FY 1996 recommendation is an increase of slightly more than \$100,000 compared to that approved by the 1995 Legislature. The majority of that increase (\$68,084) stems from a carryover of funds for capital improvements at the Olathe Travel Information Center.

ECONOMIC DEVELOPMENT INITIATIVES FUND FY 1995 - FY 1996

| Agency/Program | GOV. REC. FY 1996 | Pct. of Expend. | GOV. REC. FY 1997 | Pct. of Expend. | CHANGE FY96-FY97 |
|--|------------------------------|--------------------|------------------------------|--------------------|-----------------------|
| Department of Commerce and Housing | | | | | |
| Agency Operations | \$ 6,243,094 | | \$ 6,624,521 | | \$ 381,427 |
| Small Business Development Centers | 325,000 | | 325,000 | | -- |
| Certified Development Companies | 475,000 | | 475,000 | | -- |
| Kansas Industrial Training/Retraining | 3,000,000 | | 3,250,000 | | 250,000 |
| Trade Show Promotion Grants | 270,000 | | 270,000 | | -- |
| Strategic Planning/Action Grants | 400,000 | | 250,000 | | (150,000) |
| Kansas Quality Improvement Network | | | -- | | -- |
| Economic Initiative Opportunity Fund | 4,000,000 | | 4,000,000 | | -- |
| High Performance Incentive Grants | 75,000 | | 75,000 | | -- |
| Existing Industry Expansion | | | 1,000,000 | | 1,000,000 |
| Tourism Grants | 379,600 | | 379,600 | | -- |
| Mid-America World Trade Center | 65,000 | | -- | | (65,000) |
| Micro Loan Program | 1,000,000 | | 1,000,000 | | -- |
| Mainstreet Grant and Development Prog. | 200,000 | | 200,000 | | -- |
| Travel Information Center Repairs | 35,000 | | 35,000 | | -- |
| Olathe Travel Center | 68,084 | | -- | | (68,084) |
| Subtotal - KDCH | \$ 16,535,778 | 33.20% | \$ 17,884,121 | 37.60% | \$ 1,348,343 |
| Kansas Technology Enterprise Corporation | | | | | |
| Agency Operations | \$ 1,255,192 | | \$ 1,511,118 | | \$ 255,926 |
| Centers of Excellence | 4,350,000 | | 4,350,000 | | -- |
| Research Matching Grants | 1,260,000 | | 1,060,000 | | (200,000) |
| Business Innovative Research Grants | 86,000 | | 86,000 | | -- |
| Training Equipment Grants | 250,000 | | 250,000 | | -- |
| Industrial Liaison Program | 300,000 | | 300,000 | | -- |
| Venture Capital | 3,300,000 | | -- | | (3,300,000) |
| Special Projects | 603,000 | | 487,303 | | (115,697) |
| Commercialization | 1,268,407 | | 1,300,000 | | 33,593 |
| Agricultural Value Added Center | 880,737 | | -- | | (880,737) |
| Mid-America Manufact. Tech. Center | 1,000,000 | | 1,000,000 | | -- |
| Industrial Ag. Grants | -- | | 200,000 | | 200,000 |
| EPSCoR | 3,450,000 | | 3,400,000 | | (50,000) |
| Subtotal - KTEC | \$ 18,001,336 | 36.14% | \$ 13,944,421 | 29.32% | \$ (4,056,915) |
| Kansas, Inc. | | | | | |
| Agency Operations | \$ 137,927 | | \$ 132,851 | | \$ (5,076) |
| Special Studies | -- | | -- | | -- |
| Subtotal - Kansas, Inc. | \$ 137,926 | 0.28% | \$ 132,851 | 0.28% | \$ (5,076) |
| Department of Revenue - Appraisal Aid | \$ -- | -- | \$ -- | -- | \$ -- |
| Board of Agriculture | | | | | |
| Market Promotion and Development | \$ 366,707 | | \$ 41,491 | | \$ (325,216) |
| Subtotal - Agriculture | \$ 366,707 | 0.74% | \$ 41,491 | 0.09% | \$ (325,216) |
| State Fair - Agency Operations | \$ 114,000 | 0.23% | \$ -- | -- | \$ (114,000) |
| Department of Wildlife and Parks | | | | | |
| Capital Improvements | \$ 75,000 | | \$ -- | | \$ (75,000) |
| Wildscape | 40,000 | | -- | | (40,000) |
| Subtotal - Wild. & Parks | \$ 115,000 | 0.23% | \$ -- | -- | \$ (115,000) |
| Department of Education | | | | | |
| At-Risk/Innovative Program Assist. | \$ 1,485,000 | | \$ 1,485,000 | | \$ -- |
| Matching Grants - AVTS | 500,000 | | -- | | (500,000) |
| Postsecondary Aid - AVTS | 6,050,000 | | 6,570,000 | | 520,000 |
| Capital Outlay Aid - AVTS | 1,650,000 | | 1,650,000 | | -- |
| Cultural Arts Center | 20,000 | | -- | | (20,000) |
| Foundation for Agriculture | 25,000 | | -- | | (25,000) |
| Less Funds Available From Prior Years | -- | | -- | | -- |
| Subtotal - Education | \$ 9,730,000 | 19.53% | \$ 9,705,000 | 20.40% | \$ (25,000) |
| School for the Blind - Accessible Arts | \$ -- | -- | \$ -- | -- | \$ -- |
| Kansas Arts Commission - Prog. Grants | \$ 500,000 | 1.00% | \$ -- | -- | \$ (500,000) |
| Historical Society | | | | | |
| Agency Operations | \$ -- | | \$ -- | | \$ -- |
| Other Projects | -- | | -- | | -- |
| Humanities Council Grant | -- | | -- | | -- |
| Subtotal - Historical | \$ 187,490 | 0.38% | \$ -- | -- | \$ -- |
| State Library | | | | | |
| Literacy Grants | \$ -- | | \$ -- | | \$ -- |
| Library Grants | -- | | -- | | -- |
| Local Library Data Base Grants | 211,200 | | -- | | (211,200) |
| Subtotal - State Library | \$ 211,200 | 0.42% | \$ -- | -- | \$ (211,200) |
| Public Broadcasting Equipment Grants | \$ -- | -- | \$ -- | -- | \$ -- |
| Board of Regents and Regents Institutions | | | | | |
| Council on Economic Education | \$ -- | | \$ -- | | \$ -- |
| Centers of Excellence | -- | | -- | | -- |
| KSU - ESARP | -- | | -- | | -- |
| University General Research | -- | | -- | | -- |
| Ag. Land Use Value Support | -- | | -- | | -- |
| Subtotal - Regents Institutions | \$ -- | -- | \$ -- | -- | \$ -- |
| Dept. of Human Resources—One Stop Career Center System | \$ -- | -- | \$ 500,000 | 1.05% | \$ 500,000 |
| State Water Plan Fund | \$ 2,000,000 | 4.02% | \$ 2,000,000 | 4.20% | \$ -- |
| TOTAL TRANSFERS AND EXPENDITURES | \$ 47,899,437 | 100.00% | \$ 44,207,884 | 100.00% | \$ (3,691,553) |
| EDIF Resource Estimate | GOV. REC. FY 1996 | | GOV. REC. FY 1997 | | |
| Beginning Balance | \$ 5,339,000 | | \$ 1,567,000 | | |
| Gaming Revenues | 42,500,000 | | 42,500,000 | | |
| Other Income | 1,627,000 | | 350,000 | | |
| Total Available | \$ 49,466,000 | | \$ 44,417,000 | | |
| Less: Expenditures and Transfers | 47,899,000 | | 44,208,000 | | |
| ENDING BALANCE | \$ 1,567,000 | | \$ 209,000 | | |