

Approved: March 22, 1999
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson David Adkins at 9:00 a.m. on February 23, 1999 in Room 519-S of the Capitol.

All members were present except: All present

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes
Shirley Sicilian, Department of Revenue
Mary Shaw, Committee Secretary

Conferees appearing before the committee: Chris Courtwright, Kansas Legislative Research Department

Others attending: See attached list.

The Chairman opened the meeting to discussion of the minutes of January 14, 19, 20, 21, 26, 27, 28 and February 2, 3 and 4 which were distributed to the Representatives' offices on February 17.

The Chairman recognized Representative Aurand who made a motion, and was seconded by Representative Minor, to approve the committee minutes for the dates listed above. Motion carried.

The Chairman introduced Chris Courtwright of Kansas Legislative Research Department, who gave a briefing on the Consensus Revenue Estimating Process. He distributed the following information:

Time Line (Attachment 1)

Information (copy of an overhead) on Economic Outlook (Attachment 2)

Memorandum to Governor Bill Graves and Legislative Budget Committee dated November 10, 1998 (Attachment 3)

General Fund Tax Receipts in General (Attachment 4)

State General Fund Revenue Estimates (Attachment 5)

Additional Memorandums on State General Fund (SGF) Receipts Adjusted Estimates (Attachment 6)

Questions and discussion followed.

The meeting was adjourned at 10:20 a.m.

The next meeting is scheduled for March 3, 1999.

Last day of FY 97	First day of FY 98	(1998 Legislature convenes early January thru early May)				Last day of FY 98
June 30 1997	July 1 1997	October 1997	November 1997	April 1998	May 1998	June 30 1998

FY 1997

Final FY 97 receipts compared with final April est of receipts as adjusted in May for subsequent legislation

FY 1998

Economic outlook meeting estimates key Kansas indicators

Estimate for FY 1998 is made for 3rd time by estimators (4th time if altered by 1997 laws)

Estimate for FY 1998 is made for 4th time by estimators (5th time if altered by 1997 laws)

Est for FY 1998 may be adjusted (6th time) to reflect April 98 legislation

Final FY 98 receipts compared with final April est of receipts as adjusted in May for subsequent legislation

FY 1999

Economic outlook meeting estimates key Kansas indicators

First est is made of FY 1999 receipts

Second est is made of FY 1999 receipts

Est for FY 1999 may be adjusted (3rd time) to reflect April legislation

*House Taxation
2-23-99
Attachment 1*

First day
of FY 99

(1999 Legislature convenes
early January thru early May)

1-2

July 1
1998

October
1998

November
1998

April
1999

May
1999

June 30
1999

FY 1999



Economic
outlook
meeting
estimates
key
Kansas
indicators

Estimate for
FY 1999 is
made for
3rd time by
estimators
(4th time if
altered by
1998 laws)

Estimate for
FY 1999 is
made for
4th time by
estimators
(5th time if
altered by
1998 laws)

Est for
FY 1999
may be
adjusted
(6th time)
to reflect
April 99
legislation

Final FY 99
receipts
compared
with final
April est
of receipts
as adjusted
in May for
subsequent
legislation

* ECONOMIC OUTLOOK

Agricultural Outlook -- Agricultural Statistics
Employment Outlook -- Department of Human Resources
Oil and Gas Outlook -- Industry Sources
Aircraft Sector Outlook -- Wichita State Consulting Economist
Kansas Personal Income Forecasts -- KU and K-State Consulting Economists
CPI-U (Inflation) Forecasts -- KU and K-State Consulting Economists

*House Taxation
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Attachment 2*

* INDEPENDENT

Preparation of Six Different Sets of Estimates:

1. Division of the Budget (Governor)
2. Department of Revenue (Governor)
3. Legislative Research Department (Legislature)
4. Consulting Economist (University of Kansas)
5. Consulting Economist (K State)
6. Consulting Economist (Wichita State)

* CONFIDENTIAL

In Terms of Individual Estimates

* QUALIFIED UNANIMITY

Is Reached After All Parties Negotiate an Agreement on Every Source Estimate

* FINAL PRODUCT

Supported by All Parties Under All Circumstances; Governor Required to Use for Budget Recs

STATE OF KANSAS



DIVISION OF THE BUDGET

Room 152-E

State Capitol Building

Topeka, Kansas 66612-1575

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Bill Graves
Governor

Duane A. Goossen
Director

MEMORANDUM

TO: Governor Bill Graves and Legislative Budget Committee

FROM: Kansas Division of the Budget and Kansas Legislative Research Department

DATE: November 10, 1998

SUBJECT: State General Fund Receipts for FY 1999 (Revised) and FY 2000

Estimates for the State General Fund are developed using a consensus process that involves the Legislative Research Department, Division of the Budget, Department of Revenue, and three consulting economists from state universities. This estimate is the base from which the Governor and the Legislature build the annual budget. The consensus group met on November 5, 1998, and increased the FY 1999 estimate by \$107.8 million or 2.7 percent above the previous estimate and developed the first estimate for FY 2000. The revised FY 1999 estimate is \$4.076 billion and the FY 2000 estimate is \$4.231 billion. The FY 1999 estimate represents an increase of \$52.0 million (1.3 percent) over actual FY 1998 receipts of \$4.024 billion. Adjusting for the large one-time corporation income tax payments in FY 1998 and the tax reductions approved by the 1998 Legislature would have produced an FY 1999 increase of 6.8 percent. The initial FY 2000 estimate is \$154.9 million or 3.8 percent above the revised FY 1999 figure. Detailed information regarding the specific sources of revenue constituting total receipts is presented in Table 1. Table 2 compares the FY 1999 estimate developed on April 3, 1998, as adjusted on May 26 for subsequent legislation, with the revised estimate from the November 5, 1998 meeting.

Economic Forecast for Kansas

The economic expansion that began in March 1991 has maintained a strong pace through 1997 and into 1998. Record levels of employment, especially in transportation manufacturing (aviation), have contributed significantly to strong statewide personal income growth. The unemployment rate continues at historically low levels, dropping in FY 1998 to 3.6 percent from 4.2 percent in FY 1997. It is expected to remain at 3.6 percent for the current fiscal year and increase to 3.8 percent for FY 2000. The inflation rate for 1998 is estimated to be 1.6 percent,

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which is a drop of 0.7 percent from the very moderate 2.3 percent rate in 1997. These three factors, strong growth, low inflation, and low unemployment, have contributed to a healthy economy for both Kansas and the entire country. The forecast for Kansas in 1999 and 2000 is for a slower growing, but continued healthy economy.

Overall, there is increasing uncertainty in the economy. Kansas farmers have continued to produce at high levels, but low prices and lack of foreign markets have limited their ability to sell grain. Payments from the federal government have helped to ease this situation for some Kansas farmers. The oil and natural gas industries also are suffering from low prices. The large stock market increases since 1995 have increased consumer wealth and have had a positive impact on spending. The stock market has fluctuated considerably since the middle of 1998. This volatility might dampen consumer confidence somewhat. The Federal Reserve System eased monetary policy by reducing the Federal Funds rate on September 29 and October 15. The stock market has reacted positively to these moves. By October 21, stock prices were up five to ten percent for the year. The financial crisis in Asia and other areas of the world is having a negative effect on the U.S. economy, but is not expected to have a major impact on Kansas, at least through the end of FY 2000. The forecast and consensus estimates assume a gradual slowdown in the growth of the economy without predicting a downturn.

Kansas Personal Income

Kansas Personal Income in 1997 grew by 6.0 percent over the 1996 level. This is a significant increase, although somewhat less than the 6.3 percent realized in 1996 and the 6.2 percent forecast a year ago. The growth in Kansas Personal Income has moderated, with a 4.7 percent increase projected for 1998. The rate of personal income growth is expected to continue to slow during the next two years, with forecasts of 4.1 percent for 1999 and 4.0 percent for 2000. These projections are consistent with the overall forecast for a reduced rate of growth in both the state and national economies. As was pointed out last year, the unexpected increases in individual income tax receipts that Kansas and other states have experienced over the last two years are thought to be largely attributable to record levels of capital gains and dividends. Capital gains, an increasingly important (and volatile) part of the individual income tax base, is not among the components of income which constitute the federal and state personal income forecasts.

Inflation Rate

Inflation, as measured by the Consumer Price Index for all Urban consumers (CPI-U), increased by 2.9 percent in 1996, but only 2.3 percent in 1997. The current estimate for 1998 suggests an annual increase of 1.6 percent. Lower energy prices in 1998 have helped to restrain the overall growth in consumer prices. The forecast for 1999 and 2000 is for inflation to grow at a somewhat more rapid, but still moderate, pace of 2.3 percent and 2.6 percent, respectively.

Interest Rates

The Pooled Money Investment Board makes investments in bank certificates of deposit, repurchase agreements, and other statutorily authorized securities. In FY 1998, the state earned 5.73 percent on its SGF portfolio. The average rate of return being forecasted for FY 1999 is 5.22 percent. For FY 2000, it is 4.68 percent. The rate of return over the forecast period is

anticipated to be the equivalent of about 40 basis points above forecasted rates for the six-month Treasury Bill.

Oil and Gas

The average price per taxable barrel of Kansas crude oil is estimated to be \$12.00 for FY 1999 and to increase to \$13.00 in FY 2000. The final average taxable price per barrel in FY 1998 was \$16.52, which is a 21.7 percent drop from the FY 1997 price of \$21.09. Gross oil production in Kansas, which has been declining steadily over the last decade, is expected to continue to decline over the forecast period, driven further downward by low prices. The estimated decline for FY 1999 is 21.2 percent, moderated to 9.4 percent in the FY 2000 forecast.

The price of natural gas is expected to decrease from the final FY 1998 figure of \$1.94 per mcf to \$1.75 per mcf in FY 1999. The FY 1998 price was an 11.0 percent drop from the strong FY 1997 price of \$2.18. Prices dropped in August 1998 and have remained low. According to industry sources, gas storage levels are higher than they have been for several years heading into the winter so that a normal winter likely will maintain the current prices. For FY 2000, the price is expected to recover to \$1.85 per mcf. Natural gas production in FY 1998 of 650 million cubic feet represented a decrease of 7.7 percent from the 704 million cubic feet in FY 1997. Production is expected to continue to decline, both as a function of the low price and, as with oil, of a reduction in the available natural resource. The projections for FY 1999 and FY 2000 are 595 and 550 million cubic feet, respectively.

Economic Forecasts					
	<u>CY 96</u>	<u>CY 97</u>	<u>CY 98*</u>	<u>CY 99*</u>	<u>CY 2000*</u>
KPI Growth	6.3%	6.0%	4.7%	4.1%	4.0%
Inflation (CPI-U)	2.9%	2.3%	1.6%	2.3%	2.6%
	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99*</u>	<u>FY 2000*</u>
SGF Interest**	5.10%	5.53%	5.73%	5.22%	4.68%
Oil and Gas					
Oil Price per bbl.	\$17.13	\$21.09	\$16.52	\$12.00	\$13.00
Gross Prod. (000 bbls)	43,288	41,711	38,798	32,000	29,000
Gas Price per mcf	\$1.47	\$2.18	\$1.94	\$1.75	\$1.85
Gas Taxable Value	\$1,004,164	\$1,352,646	\$1,194,354	\$947,538	\$931,013
* Estimated					
** Rates based on the total investment portfolio applicable to SGF interest earnings based on legislation enacted in 1992 and 1996.					

State General Fund Receipts Estimates

FY 1999. The revised estimate of SGF receipts for FY 1999 is \$4.076 billion, an increase of \$107.8 million over the previous estimate produced on April 3, 1998, and subsequently adjusted for 1998 state legislation. The revised estimate is \$52.0 million or 1.3 percent above actual FY 1998 receipts. Details of the revised estimate are reflected in Tables 1 and 2.

Increases in individual and corporation income taxes, inheritance and estate taxes, compensating use taxes, and interest accounted for \$127.2 million which were offset, in part, by reductions in other sources.

Each individual SGF source was evaluated independently in view of revised and updated economic forecasts, collection information from various state agencies and year-to-date receipts.

The estimate for individual income tax was increased by \$96.3 million. This upward revision was attributed to the continued strong employment and personal income forecasts, and assumptions of another moderately strong year for capital gains and dividends. The 2.2 percent income tax increase from FY 1998 is understated because of the approximately \$106.3 million in tax reductions enacted for FY 1999. Without the tax cuts, the growth rate would be 8.3 percent. But even this performance represents a significant reduction from the 14.7 percent growth experienced in FY 1998, when receipts were fueled by the robust economy and strong performance of the stock market.

The inheritance and estate tax category was increased by \$10.5 million on the strength of year-to-date collections.

The estimate for compensating use was increased by \$5.2 million over the previous estimate. This change was made because of the strong performance of this source the past several years and the fact that collections through October exceeded the prior estimate by 4.1 percent.

Interest earnings generated through the investment of state idle funds were increased by \$12.4 million. A greater than expected State General Fund balance has contributed to earnings exceeding the estimate by \$8.3 million through October.

The estimate for severance tax was reduced by \$14.9 million. As indicated previously, oil and gas prices and production have experienced significant decreases. The financial institutions privilege tax was reduced by \$5.5 million because it is expected that refunds will need to be made later in the fiscal year. Also, a decrease of \$4.9 million was projected for the insurance premiums tax.

FY 2000. SGF receipts are estimated to be \$4.231 billion in FY 2000, an increase of \$154.9 million or 3.8 percent when compared to the newly revised FY 1999 estimate. Details of this estimate are shown in Table 1.

The principal SGF revenue sources expected to increase in FY 2000 are as follows: individual income tax by 6.7 percent; retail sales tax by 3.6 percent; and compensating use tax by

5.0 percent. The transfer from the State General Fund for the Department of Revenue's Project 2000 is expected to decrease by \$13,400 as the transfers reach the prescribed payout level.

The estimate for estate taxes reflects the full year impact of the change from an inheritance to an estate tax. The severance tax estimate takes into account expanded exemptions from the severance tax for low producing wells and for enhanced recovery efforts to increase production. The expansion of exemptions for low producing oil wells in conjunction with low prices for oil is expected to have a major impact on the amount of production exempt from the tax. Under the new law, production in FY 2000 from oil wells pumping ten or fewer barrels per day will be exempt from the severance tax. The exempt price threshold is determined by the average price of oil from July through December of the previous year. Based on the new estimate for average price and on information on the number of low producing wells provided by the Interstate Oil and Gas Compact Commission, the consensus group expects that 70.0 percent of the oil produced in Kansas during FY 2000 will be exempt from the tax.

Accuracy of Consensus Revenue Estimates

For 24 years, State General Fund revenue estimates for Kansas have been developed using the consensus revenue estimating process. Besides the three state agencies referred to on the first page, the economists currently involved in the process are Joe Sicilian from the University of Kansas, Ed Olson from Kansas State University, and John Wong from Wichita State University. Each of the entities and individuals involved in the process prepared independent estimates and met on November 5, 1998, to discuss estimates and come to a consensus for each fiscal year.

The table on the next page presents estimates compared to actual receipts since FY 1975, the fiscal year for which the current process was initiated. First, the adjusted original estimate is compared to actual collections and then the final estimate is compared to actual receipts. In the first six fiscal years of the process, actual receipts were an average of 4.3 percent higher than the adjusted original estimates; from FY 1982 to FY 1987, receipts were lower than the estimates by an average of 6.3 percent; and beginning in FY 1988, actual receipts have been higher than 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 because only three months remained in the fiscal year when the final estimate was made. In the last nine fiscal years, the difference ranged from (0.8) percent to 1.6 percent and in five of these years the difference from the estimate was less than 1.0 percent.

Concluding Comments

Consensus revenue estimates are based on current federal and state laws. The group will meet again in April to revise these estimates. Developments which may occur between the November and April meeting will be taken into account at the April meeting.

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)
1996	3,428.0	3,409.2	3,448.3	20.3	0.6	39.0	1.1
1997	3,524.8	3,642.4	3,683.8	159.0	4.5	41.4	1.1
1998	3,714.4	3,971.0	4,023.7	309.3	8.3	52.7	1.3

* 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 State 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.

Table 1
State General Fund Receipts
(In Thousands)

	Consensus Estimates, November 5, 1998					
	FY 1998 (Actual)		FY 1999 (Revised)		FY 2000	
	Amount	Percent Increase	Amount	Percent Increase	Amount	Percent Increase
Property Tax:						
Motor Carrier	\$15,998	2.0%	\$17,000	6.3%	\$18,000	5.9%
Income Taxes:						
Individual	\$1,742,284	14.2%	\$1,780,000	2.2%	\$1,900,000	6.7%
Corporation	281,651	6.9%	225,000	-20.1%	215,000	-4.4%
Financial Inst.	22,150	-16.4%	20,000	-9.7%	25,000	25.0%
Domestic Ins. Co.	2,113	111.1%	--	--	--	--
Total	\$2,048,198	12.7%	\$2,025,000	-1.1%	\$2,140,000	5.7%
Inheritance/Estate	\$88,651	16.6%	\$70,000	-21.0%	\$35,000	-50.0%
Excise Taxes:						
Retail Sales	\$1,351,591	9.4%	\$1,400,000	3.6%	\$1,450,000	3.6%
Compensating Use	185,088	11.8%	200,000	8.1%	210,000	5.0%
Cigarette	52,095	-1.6%	52,000	-0.2%	52,300	0.6%
Tobacco Prod.	3,269	5.3%	3,400	4.0%	3,500	2.9%
Cereal Malt Bev.	2,439	-0.9%	2,200	-9.8%	2,100	-4.5%
Liquor Gallonage	13,209	3.1%	13,000	-1.6%	13,200	1.5%
Liquor Enforcement	28,549	4.0%	31,000	8.6%	32,000	3.2%
Liquor Private Club	5,178	5.2%	5,500	6.2%	5,600	1.8%
Corp. Franchise	15,352	7.4%	16,000	4.2%	16,500	3.1%
Severance	62,558	-17.4%	45,900	-26.6%	42,100	-8.3%
Gas	48,072	-16.3%	38,200	-20.5%	37,500	-1.8%
Oil	14,486	-20.8%	7,700	-46.8%	4,600	-40.3%
Total	\$1,719,328	7.8%	\$1,769,000	2.9%	\$1,827,300	3.3%
Other Taxes:						
Insurance Prem.	\$88,106	9.6%	\$84,000	-4.7%	\$86,000	2.4%
Miscellaneous	1,791	-5.6%	2,000	11.7%	2,000	--
Total	\$89,897	9.2%	\$86,000	-4.3%	\$88,000	2.3%
Total Taxes	\$3,962,072	10.5%	\$3,967,000	0.1%	\$4,108,300	3.6%
Other Revenues:						
Interest	\$83,671	25.7%	\$92,000	10.0%	\$90,000	-2.2%
Transfers						
Project 2000	(23,211)	97.7%	(20,000)	13.8%	(6,600)	67.0%
Other Transfers	(43,362)	--	(7,500)	--	(6,100)	18.7%
Agency Earnings	44,512	11.9%	44,200	-0.7%	45,000	1.8%
Total Other Revenue	\$61,610	-37.5%	\$108,700	76.4%	\$122,300	12.5%
Total Receipts	\$4,023,683	9.2%	\$4,075,700	1.3%	\$4,230,600	3.8%

Table 2

State General Fund Receipts -- Comparison of Estimates for FY 1999
 Made on April 3, 1998, as adjusted, with those made on November 5, 1998 (In Thousands)

	Estimate* <u>04/03/98</u>	Revised Estimate <u>11/05/98</u>	<u>Difference</u>
Property Tax:			
Motor Carrier	\$17,000	\$17,000	--
Income Taxes:			
Individual	\$1,683,700	\$1,780,000	\$96,300
Corporation	222,150	225,000	2,850
Financial Inst.	25,500	20,000	(5,500)
Domestic Ins. Co.	--	--	--
Total	<u>\$1,931,350</u>	<u>\$2,025,000</u>	<u>\$93,650</u>
Inheritance/Estate	\$59,500	\$70,000	\$10,500
Excise Taxes:			
Retail Sales	\$1,401,530	\$1,400,000	(\$1,530)
Compensating Use	194,804	200,000	5,196
Cigarette	52,000	52,000	--
Tobacco Prod.	3,400	3,400	--
Cereal Malt Bev.	2,200	2,200	--
Liquor Gallonage	13,200	13,000	(200)
Liquor Enforcement	30,000	31,000	1,000
Liquor Private Club	5,300	5,500	200
Corp. Franchise	15,500	16,000	500
Severance	60,752	45,900	(14,852)
Gas	48,992	38,200	(10,792)
Oil	11,760	7,700	(4,060)
Total	<u>\$1,778,686</u>	<u>\$1,769,000</u>	<u>(\$9,686)</u>
Other Taxes:			
Insurance Prem.	\$88,900	\$84,000	(\$4,900)
Miscellaneous	2,000	2,000	--
Total	<u>\$90,900</u>	<u>\$86,000</u>	<u>(\$4,900)</u>
Total Taxes	\$3,877,436	\$3,967,000	\$89,564
Other Revenues:			
Interest	\$79,628	\$92,000	\$12,372
Transfers			
Project 2000	(23,700)	(20,000)	3,700
Other Transfers	(8,675)	(7,500)	1,175
Agency Earnings	43,186	44,200	1,014
Total Other Revenue	\$90,439	\$108,700	\$18,261
Total Receipts	<u><u>\$3,967,875</u></u>	<u><u>\$4,075,700</u></u>	<u><u>\$107,825</u></u>

*--as adjusted for legislation enacted subsequent to this meeting.

STATE GENERAL FUND REVENUE ESTIMATES

In Millions

1 Fiscal Year	2 Original Estimate ¹ (Nov. or Dec.)	3 Leg. Changes ²		5 Adj. Original Estimate (2 + 3 + 4)	6 Revisions by Consensus Estimating Group				9 Final Estimate ³ (5 + 9)	11 Actual Receipts ³	12 Diff. Between Actual Receipts and Adj. Original Estimate		13 Diff. Between Actual Receipts and Final Estimate	
		First Session	Second Session		1st March or April	Nov. or Dec.	2nd March or April	Total			Amount	Percent	Amount	Percent
1975	-	-	-	-	-	-	-	-	\$614.9 ^a	\$627.6	-	-	\$12.7	2.1%
1976	\$670.5	\$5.8	-	\$676.3	-	\$23.5 ^b	-	\$23.5 ^b	699.7	701.2	\$24.9	3.7%	1.4	0.2
1977	750.4	9.8	(d)	760.2	-	3.4	(3.0) ^c	0.4	760.7	776.5	16.3	2.1	15.8	2.1
1978	828.5	2.0	(0.4)	830.1	-	31.1	-	31.1	861.2	854.6	24.5	3.0	(6.5)	(0.8)
1979	943.5	1.8	-	945.2	-	36.8	37.3	74.1	1,019.3	1,006.8	61.6	6.5	(12.5)	(1.2)
1980	1,075.9	(56.6)	(d)	1,019.3	61.0	15.6	-	76.6	1,095.9	1,097.8	78.5	7.7	1.9	0.2
1981	1,198.5	(1.4)	-	1,197.1	-	29.3	-	29.3	1,226.4	1,226.5	29.4	2.5	0.1	0.0
1982	1,352.6	(0.4)	(0.9)	1,351.3	-	(17.8)	(13.5)	(31.3)	1,320.0	1,273.0	(78.3)	(5.8)	(47.0)	(3.6)
1983	1,487.6	3.1	108.5	1,599.2	(36.0)	(150.7)	(45.6)	(232.3)	1,366.9	1,363.6	(235.6)	(14.7)	(3.2)	(0.2)
1984	1,419.4	174.0	3.4	1,596.7	(40.6)	(17.1)	-	(57.7)	1,539.0	1,546.9	(49.8)	(3.1)	7.9	0.5
1985	1,672.8	2.3	22.6	1,697.7	-	(17.9)	-	(17.9)	1,679.7	1,658.5	(39.2)	(2.3)	(21.3)	(1.3)
1986	1,722.9	3.2	5.1	1,731.2	-	(55.1)	(9.5)	(64.7)	1,666.4	1,641.4	(89.8)	(5.2)	(25.0)	(1.5)
1987	1,733.7	169.6	(0.2)	1,903.1	(44.8)	(93.6)	-	(138.4)	1,764.7	1,778.5	(124.6)	(6.5)	13.8	0.8
1988	1,947.0	6.0 ^e	7.0 ^e	1,960.0	-	9.8	61.8	71.6	2,031.5	2,113.1	153.1	7.8	81.6	4.0
1989	2,019.4	(9.5)	(2.1)	2,007.8	27.6	160.2	11.3	199.1	2,206.9	2,228.3	220.5	11.0	21.4	1.0
1990	2,321.2	(80.3)	0.3	2,241.2	14.9	42.1	(14.9)	42.1	2,283.3	2,300.5	59.3	2.6	17.2	0.8
1991	2,337.0	0.8	1.0	2,338.8	6.4	16.4	(1.0)	21.8	2,360.6	2,382.3	43.5	1.9	21.7	0.9
1992	2,454.2	13.7	10.8	2,478.7	(22.9)	12.1	(13.4)	(24.2)	2,454.5	2,465.8	(12.9)	(0.5)	11.3	0.5
1993	2,564.4	349.0	(d)	2,913.4	(17.3)	54.6	(21.1)	16.2	2,929.6	2,932.0	18.6	0.6	2.4	0.1
1994	3,035.5	4.8	(0.2)	3,040.1	(4.5)	50.3	41.0 ^f	86.7	3,126.8	3,175.7	135.6	4.5	48.9	1.6
1995	3,221.4	(10.1)	(36.9)	3,174.4	39.5	37.4	(7.3)	69.6	3,243.9	3,218.8	44.4	1.4	(25.1)	(0.8)
1996	3,409.3	17.5	1.2	3,428.0	(33.0)	(27.3)	41.6 ^g	(18.7)	3,409.2	3,448.3	20.3	0.6	39.0	1.1
1997	3,520.3	4.2	0.3	3,524.8	(9.6)	100.4	26.8	117.6	3,642.4	3,683.8	159.0	4.5	41.4	1.1
1998	3,755.1	(1.7)	(39.0)	3,714.4	(30.5)	217.3	69.7	256.5	3,971.0	4,018.6	304.2	8.2	47.5	1.2

- The first estimate for a fiscal year as included in the Governor's Budget Report to the Legislature, adjusted to delete the estimated effect on receipts of any policy recommendations by the Governor.
- Estimated effect of revenue measures enacted which increased or decreased receipts.
- For FYs 1975-1988, not adjusted for 1988 legislation which changed three revenue transfers (netted out of receipts) to demand transfers (expenditures).

- The first estimate of the Consensus Estimating Group was the revised estimate for FY 1975. This final estimate of \$614.9 million reflects a reduction in receipts of about \$127,000 made by the 1975 Legislature.
- Includes \$6 million added on 1/8/76 to reflect increase in the state income tax withholding rate and extension of the federal Revenue Adjustment Act of 1975 through FY 1976.
- This reduction was to account for a Kansas Supreme Court decision which affected sales tax receipts.
- Less than \$50,000.
- The 1987 Legislature authorized a revenue transfer of \$7.43 million for county reappraisal aid and is so reflected in the "First Session" column. This was later changed, by executive action, to a demand transfer (expenditure) and that change is reflected in the "Second Session" column along with legislative action which reduced receipts by \$432,000.
- Includes nearly \$15.2 million (net) due to enactment of 1993 S.B. 393, which revamped the unclaimed property law.
- Includes about \$31.3 million in inheritance tax from one estate received after the November 1995 estimate.

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

House Taxation
2-23-99
Attachment 5

April 6, 1998

To: Governor Bill Graves and Legislative Budget Committee

From: Legislative Research Department and Division of the Budget

STATE GENERAL FUND (SGF) RECEIPTS

Adjusted Estimates for FY 1998 and FY 1999

The Consensus Estimating Group met on April 3 to adjust the estimates made last November of SGF receipts in FYs 1998 and 1999. Attached are tables that display the changes, if any, for each source of revenue. Revised economic forecasts and significant adjustments in specific revenue sources are discussed below.

Summary

Estimated total receipts in FY 1998 have been increased by \$69.7 million, or 1.8 percent. For FY 1999, total receipts have been increased by \$119.6 million, or 3.0 percent. The change for the two years combined is an increase of \$189.3 million, or 2.4 percent, from the estimate made last November. The growth rate of 3.2 percent for the revised FY 1999 estimate above the revised FY 1998 estimate takes into account unusually large one-time corporation income tax payments in FY 1998 by a single taxpayer and reductions in financial institutions privileges taxes (due to creation of investment subsidiaries). The growth rate for FY 1999 would be 4.7 percent absent those adjustments.

Economic Forecasts and SGF Receipts

In November 1997, the Consensus Estimating Group noted the robust levels of economic growth experienced in 1996 and 1997 and forecast that the Kansas economy would remain healthy throughout 1998. Based on the revised forecasts of the economic indicators, there has been no significant change in that analysis.

Over the last two fiscal years, Kansas, many other states, and the federal government have experienced "unanticipated" revenues as a result of record levels of capital gains and dividend income attributable to growth in the stock market. In Kansas, these additional revenues have been reflected in a number of the major tax sources, including income, sales, and inheritance taxes. The Consensus Group believes that such increases in receipts above the levels associated with traditional economic indicators will continue in the near term.

*HOUSE TAXATION
2-23-99
ATTACHMENT 6*

Kansas Personal Income. Kansas Personal Income (KPI) is current income received by individual residents from all sources, whether taxable or not, *i.e.*, wages and salaries (including bonuses, commissions, tips, payments in kind, etc.); certain types of supplementary income called "other labor income"; proprietors' income (both farm and nonfarm); rent, dividends, and interest; and government and business transfer payments. Capital gains are not included. Personal income is measured before deduction of income taxes but after deduction of personal contributions for Social Security, government retirement, and other social insurance programs. The November forecast was that Kansas personal income would increase by 6.2 percent in CY 1997, by 5.3 percent in CY 1998, and by 4.8 percent in CY 1999. Those forecasts are now 5.9 percent, 5.3 percent, and 4.6 percent, respectively.

Inflation Rate. Last November, the forecast of the year-over-year inflation rate, as measured by the CPI-U, was 2.5 percent for CY 1997, 2.5 percent for CY 1998, and 2.7 percent for CY 1999. All three forecasts have been reduced—to 2.3 percent, 2.1 percent, and 2.4 percent, respectively.

Interest Rates. The Pooled Money Investment Board invests state idle funds in bank CDs, repurchase agreements, and statutorily authorized securities, with the latter being the largest component of the total. In November, the rate of return on the whole portfolio was estimated to be 5.53 percent in FY 1998 and 5.35 percent in FY 1999. These rates have been increased to 5.67 percent in FY 1998 and lowered to 5.19 percent in FY 1999.

Natural Gas. For purposes of estimating severance tax receipts, the November forecasts were that natural gas prices (gross) would *average* \$2.10 per mcf in FY 1998 and \$1.90 per mcf in FY 1999, and the taxable value of gas would be \$1.399 billion in FY 1998 and \$1.223 billion in FY 1999. These forecasts have been adjusted to \$1.95 and \$2.05, respectively, for average prices and to \$1.237 billion and \$1.246 billion, respectively, for taxable value.

Crude Oil. The November forecasts were that the *average* taxable price of crude oil would be \$18.50 per barrel in FY 1998 and \$18.25 per barrel in FY 1999, and taxable production would be 24.000 million barrels and 21.175 million barrels, respectively, in those two years. The price forecasts have been reduced to \$16.50 and \$17.00, respectively, and the estimates of taxable production have been lowered to 22.800 million barrels and 19.250 million barrels, respectively.

FY 1998 Receipts

The adjusted estimate of total SGF receipts in FY 1998 is \$4.010 billion, which is \$69.7 million, or 1.8 percent, more than the estimate made last November and is \$326.2 million, or 8.9 percent, more than actual receipts in FY 1997.

A summary explanation of the major changes follows:

Increases

- The individual income tax estimate was increased by \$32.4 million and now represents a 10.4 percent growth rate over actual FY 1997 receipts.

- The sales tax estimate was increased by \$22.4 million and now represents 9.3 percent growth over actual FY 1997 receipts.
- Interest earnings were increased by \$16.8 million. This was due, in part, to slightly higher interest rates, but mostly it was due to a methodological change.
- The compensating (use) tax estimate was increased by \$4.0 million, bringing the revised estimate to 11.1 percent above actual FY 1997 receipts.

Reductions

- The severance tax estimate was reduced by \$9.3 million—\$6.5 million attributable to a reduction in the gas severance taxes and \$2.8 million attributable to a cut in oil taxes.
- Corporation income tax receipts were reduced by \$3.0 million (receipts through the end of March were \$4.0 million below the estimate to that point in time).
- Cigarette and motor carrier property taxes each were reduced by \$1.0 million.

FY 1999 Receipts

The new estimate of total receipts in FY 1999 is \$4.137 billion. That amount is \$119.6 million, or 3.0 percent, higher than the November estimate and is \$127.1 million, or 3.2 percent, more than the adjusted estimate for FY 1998. The increase from FY 1998 to FY 1999 would be 4.5 percent absent the aforementioned one-time corporation income tax receipts in FY 1998.

Following is a summary explanation of the major changes:

Increases

- The FY 1999 individual income tax estimate was increased by \$58.2 million — to \$1.790 billion, or 6.2 percent above the revised FY 1998 estimate.
- The sales tax estimate was raised by \$28.2 million—to \$1.425 billion, or 5.6 percent above the new FY 1998 figure.
- Interest earnings were increased by \$13.6 million. This reflects a slight lowering of the interest rate estimate, but was due principally to extension of the methodological change referred to earlier in the memorandum.

Reductions

- Severance taxes were reduced by a net \$2.9 million from the previous estimate (oil severance taxes were decreased by \$3.8 million, while gas receipts were increased \$0.9 million).
- Cigarette and motor carrier property tax estimates each were again reduced by \$1.0 million.

No Extraordinary Receipts or Refunds

Aside from amounts previously mentioned in this memo, the new estimates for FYs 1998 and 1999 do not include any extraordinary receipts or refunds, based on information provided by the Department of Revenue on April 3, 1998. Typically, extraordinary events of this type affect corporation income or inheritance tax revenue.

Project 2000

The Consensus Group made a change in the way it displays the impact of the Project 2000 tax system improvement project on the accompanying tables. For both FY 1998 and FY 1999, the additional revenues expected to be produced by Project 2000 are included implicitly in the estimates for each specific revenue source. Previously, an effort was made to estimate separately an amount of tax revenue that would be produced by Project 2000 and to adjust commensurately the individual revenue sources. The tables continue to display an amount attributable to Project 2000 in the form of the estimated Project 2000 transfer out of the SGF.

Pending Legislation Not Considered

The adjusted estimates made on April 3 do not take into account any pending state or federal legislation that would affect SGF receipts. Further adjustments will be made prior to final adjournment of the 1998 Legislature, as required by K.S.A. 75-6701, to account for revenue measures which become law after April 3.

Table 1
State General Fund Receipts
(In Thousands)

	Consensus Estimates, April 3, 1998					
	FY 1997		FY 1998 (Revised)		FY 1999 (Revised)	
	Amount	Percent Increase	Amount	Percent Increase	Amount	Percent Increase
Property Tax:						
Motor Carrier	\$15,683	12.0%	\$16,000	2.0%	\$17,000	6.3%
Income Taxes:						
Individual	\$1,525,765	9.7%	\$1,685,000	10.4%	\$1,790,000	6.2%
Corporation	263,573	20.6%	292,000	10.8%	235,000	-19.5%
Financial Inst.	26,506	-24.8%	20,000	-24.5%	10,000	-50.0%
Domestic Ins. Co.	1,001	-2.3%	1,000	-0.1%	-	-
Total	\$1,816,846	10.4%	\$1,998,000	10.0%	\$2,035,000	1.9%
Inheritance	\$76,029	-23.0%	\$84,000	10.5%	\$90,000	7.1%
Excise Taxes:						
Retail Sales	\$1,235,001	4.7%	\$1,350,000	9.3%	\$1,425,000	5.6%
Compensating Use	165,601	10.5%	184,000	11.1%	195,000	6.0%
Cigarette	52,931	1.1%	52,000	-1.8%	52,000	-
Tobacco Prod.	3,103	6.1%	3,400	9.6%	3,400	-
Cereal Malt Bev.	2,460	-2.9%	2,300	-6.5%	2,200	-4.3%
Liquor Gallonage	12,812	2.9%	13,000	1.5%	13,200	1.5%
Liquor Enforce.	27,446	4.7%	29,000	5.7%	30,000	3.4%
Liquor Dr. Places	4,920	2.4%	5,200	5.7%	5,300	1.9%
Corp. Franchise	14,293	8.8%	14,500	1.4%	15,500	6.9%
Severance	75,713	19.1%	65,700	-13.2%	63,400	-3.5%
Gas	57,420	19.5%	50,600	-11.9%	50,200	-0.8%
Oil	18,293	17.8%	15,100	-17.5%	13,200	-12.6%
Total	\$1,594,279	5.8%	\$1,719,100	7.8%	\$1,805,000	5.0%
Other Taxes:						
Insurance Prem.	\$80,414	-9.6%	\$92,000	14.4%	\$89,800	-2.4%
Miscellaneous	1,898	7.2%	2,000	5.4%	2,000	-
Total	\$82,311	-9.3%	\$94,000	14.2%	\$91,800	-2.3%
Total Taxes	\$3,585,148	6.8%	\$3,911,100	9.1%	\$4,038,800	3.3%
Other Revenues:						
Interest	\$66,572	5.2%	\$84,000	26.2%	\$85,000	1.2%
Net Transfers	(7,712)	46.8%	(29,100)	-	(30,700)	-5.5%
Project 2000*	-	-	(16,400)	-	(23,700)	-44.5%
Others	(7,712)	-	(12,700)	-64.7%	(7,000)	44.9%
Agency Earnings	39,768	-7.2%	44,000	10.6%	44,000	-
Total Other Revenue	\$98,628	7.6%	\$98,900	0.3%	\$98,300	-0.6%
Total Receipts	\$3,683,775	6.8%	\$4,010,000	8.9%	\$4,137,100	3.2%

* NOTE: Revenues produced by Project 2000, equivalent of these transfers out of the SGF, are included implicitly in the estimates for the various tax sources.

Table 2

State General Fund Receipts -- Comparison of Estimates for FY 1998
 Made on November 5, 1997, and April 3, 1998 (In Thousands)

	Estimate <u>11/05/97</u>	Revised Estimate <u>04/03/98</u>	<u>Difference</u>
Property Tax:			
Motor Carrier	\$17,000	\$16,000	(1,000)
Income Taxes:			
Individual	\$1,652,600	\$1,685,000	\$32,400
Corporation	295,000	292,000	(3,000)
Financial Inst.	20,000	20,000	--
Domestic Ins. Co.	1,000	1,000	--
Total	\$1,968,600	\$1,998,000	\$29,400
Inheritance	\$76,000	\$84,000	\$8,000
Excise Taxes:			
Retail Sales	\$1,327,600	\$1,350,000	\$22,400
Compensating Use	180,000	184,000	4,000
Cigarette	53,000	52,000	(1,000)
Tobacco Prod.	3,400	3,400	--
Cereal Malt Bev.	2,300	2,300	--
Liquor Gallonage	13,000	13,000	--
Liquor Enforce.	27,500	29,000	1,500
Liquor Dr. Places	5,000	5,200	200
Corp. Franchise	14,500	14,500	--
Severance	75,000	65,700	(9,300)
Gas	57,100	50,600	(6,500)
Oil	17,900	15,100	(2,800)
Total	\$1,701,300	\$1,719,100	\$17,800
Other Taxes:			
Insurance Prem.	\$87,300	\$92,000	4,700
Miscellaneous	2,000	2,000	--
Total	\$89,300	\$94,000	\$4,700
Total Taxes	\$3,852,200	\$3,911,100	\$58,900
Other Revenues:			
Interest	\$67,200	\$84,000	\$16,800
Net Transfers	(23,130)	(29,100)	(6,000)
Project 2000	(15,200)	(16,400)	(1,200)
Others	(7,930)	(12,700)	(4,770)
Agency Earnings	44,000	44,000	--
Total Other Revenue	\$88,070	\$98,900	\$10,830
Total Receipts	\$3,940,270	\$4,010,000	\$69,730

Table 3

State General Fund Receipts -- Comparison of Estimates for FY 1999
 Made on November 5, 1997, and April 3, 1998 (In Thousands)

	Estimate <u>11/05/97</u>	Revised Estimate <u>04/03/98</u>	<u>Difference</u>
Property Tax:			
Motor Carrier	\$18,000	\$17,000	(1,000)
Income Taxes:			
Individual	\$1,731,800	\$1,790,000	\$58,200
Corporation	235,000	235,000	--
Financial Inst.	10,000	10,000	--
Domestic Ins. Co.	--	--	--
Total	\$1,976,800	\$2,035,000	\$58,200
Inheritance	\$80,000	\$90,000	\$10,000
Excise Taxes:			
Retail Sales	\$1,396,800	\$1,425,000	\$28,200
Compensating Use	190,000	195,000	5,000
Cigarette	53,000	52,000	(1,000)
Tobacco Prod.	3,500	3,400	(100)
Cereal Malt Bev.	2,200	2,200	--
Liquor Gallonage	13,200	13,200	--
Liquor Enforce.	28,500	30,000	1,500
Liquor Dr. Places	5,100	5,300	200
Corp. Franchise	15,500	15,500	--
Severance	66,300	63,400	(2,900)
Gas	49,300	50,200	900
Oil	17,000	13,200	(3,800)
Total	\$1,774,100	\$1,805,000	\$30,900
Other Taxes:			
Insurance Prem.	\$85,300	\$89,800	4,500
Miscellaneous	2,000	2,000	--
Total	\$87,300	\$91,800	\$4,500
Total Taxes	\$3,936,200	\$4,038,800	\$102,600
Other Revenues:			
Interest	\$71,400	\$85,000	\$13,600
Net Transfers	(34,100)	(30,700)	
Project 2000	(23,600)	(23,700)	(100)
Others	(10,500)	(7,000)	3,500
Agency Earnings	44,000	44,000	--
Total Other Revenue	\$81,300	\$98,300	\$17,000
Total Receipts	\$4,017,500	\$4,137,100	\$119,600

July 28, 1998

To: Legislative Budget Committee

State General Fund (SGF) Receipts

FY 1998

On July 28 we received from the Division of Accounts and Reports the report on total SGF receipts for FY 1998.

Total FY 1998 receipts to the SGF were \$47.524 million or 1.2 percent above the final estimate, as adjusted for 1998 legislation.

Individual income taxes exceeded the estimate by \$57.284 million. Other taxes that exceeded the estimate by more than \$1.0 million were the inheritance tax (\$4.651 million) financial institutions privilege tax (\$2.150 million), retail sales tax (\$1.591 million), domestic insurance company privilege tax (\$1.113 million), and compensating use tax (\$1.088 million).

Taxes falling short of the estimate by more than \$1.0 million were the corporation income tax (\$10.349 million), insurance premiums taxes (\$3.894 million), and the severance tax (\$3.142 million—\$2.528 million for gas and \$0.614 million for oil).

Agency earnings exceeded the estimate by \$0.512 million while interest fell below the estimate by \$0.329 million. Transfers out of the SGF were \$3.632 million more than had been estimated.

Compared with FY 1997, **total taxes** to the SGF were up by \$376.9 million or 10.5 percent and **total receipts** were up by \$334.8 million or 9.1 percent. In regard to total receipts, remember that 1998 legislation provided for transfer of \$39.0 million from the SGF—\$35.7 million to the State Budget Stabilization Fund and \$3.3 million to the Gaming Revenue Fund.

STATE GENERAL FUND RECEIPTS
Fiscal Year 1998
(dollar amounts in thousands)

	Actual FY1997	FY 1998			Percent Increase-- FY 1998 Over	
		Estimate*	Actual	Difference	FY 1997	Estimate
Property Tax:						
Motor Carriers	\$ 15,683	\$ 16,000	\$ 15,998	\$ (2)	2.0 %	0.0 %
Income Taxes:						
Individual	\$ 1,525,765	\$ 1,685,000	\$ 1,742,284	\$ 57,284	14.2 %	3.4 %
Corporation	263,573	292,000	281,651	(10,349)	6.9	(3.5)
Financial Inst.	26,506	20,000	22,150	2,150	(16.4)	10.8
Domestic Ins. Co.	1,001	1,000	2,113	1,113	111.0	111.3
Total	\$ 1,816,846	\$ 1,998,000	\$ 2,048,198	\$ 50,198	12.7 %	2.5 %
Inheritance Tax	\$ 76,029	\$ 84,000	\$ 88,651	\$ 4,651	16.6 %	5.5 %
Excise Taxes:						
Retail Sales	\$ 1,235,001	\$ 1,350,000	\$ 1,351,591	\$ 1,591	9.4 %	0.1 %
Comp. Use	165,601	184,000	185,088	1,088	11.8	0.6
Cigarette	52,931	52,000	52,095	95	(1.6)	0.2
Tobacco Prod.	3,103	3,400	3,269	(131)	5.3	(3.9)
Cereal Malt Bev.	2,460	2,300	2,439	139	(0.9)	6.0
Liquor Gallonage	12,812	13,000	13,209	209	3.1	1.6
Liquor Enforce.	27,446	29,000	28,549	(451)	4.0	(1.6)
Liquor Dr. Places	4,920	5,200	5,178	(22)	5.3	(0.4)
Corp. Franchise	14,293	14,500	15,351	851	7.4	5.9
Severance	75,713	65,700	62,558	(3,142)	(17.4)	(4.8)
Gas	57,420	50,600	48,072	(2,528)	(16.3)	(5.0)
Oil	18,293	15,100	14,486	(614)	(20.8)	(4.1)
Total	\$ 1,594,279	\$ 1,719,100	\$ 1,719,327	\$ 227	7.8 %	0.0 %
Other Taxes:						
Insurance Prem.	\$ 80,414	\$ 92,000	\$ 88,106	\$ (3,894)	9.6 %	(4.2) %
Miscellaneous **	1,898	2,000	1,791	(209)	(5.6)	(10.5)
Total	\$ 82,311	\$ 94,000	\$ 89,897	\$ (4,103)	9.2 %	(4.4) %
Total Taxes	\$ 3,585,148	\$ 3,911,100	\$ 3,962,072	\$ 50,972	10.5 %	1.3 %
Other Revenue:						
Interest	\$ 66,572	\$ 84,000	\$ 83,671	\$ (329)	25.7 %	(0.4) %
Transfers (net) **	(7,712)	(68,065)	(71,697)	(3,632)	(829.7)	(5.3)
Agency Earnings and Misc.	39,768	44,000	44,512	512	11.9	1.2
Total	\$ 98,627	\$ 59,935	\$ 56,487	\$ (3,448)	(42.7) %	(5.8) %
TOTAL RECEIPTS	\$ 3,683,775	\$ 3,971,035	\$ 4,018,559	\$ 47,524	9.1 %	1.2 %

* Consensus estimate as of April 3, 1998, as adjusted May 26, 1998, for 1998 legislation.

** Estimates include transfers out attributable to Project 2000 of the Dept. of Revenue. Actual tax receipts from the Project cannot be separately identified.

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

May 26, 1998

To: Legislative Budget Committee and Governor Bill Graves
From: Kansas Legislative Research Department and Kansas Division of the Budget
Re: Adjustments to the Consensus Estimates of State General Fund Receipts for
FY 1998 and FY 1999

Pursuant to K.S.A. 75-6701, the Director of the Legislative Research Department and the Director of the Budget have adjusted the most recent estimates of State General Fund (SGF) receipts for FY 1998 and FY 1999. These adjustments reflect the fiscal impact of legislation involving receipts to the SGF enacted during the 1998 Legislative Session subsequent to the Consensus Revenue Estimate made on April 3, 1998. The attached tables reflect changes by receipt source and incorporate these changes into the overall estimated receipts to the SGF for FY 1998 and FY 1999. Adjustments include reductions in receipts of \$38.965 million in FY 1998 and of \$169.225 million in FY 1999.

FY 1998

In FY 1998, transfers from the SGF were increased by a total of \$38.965 million—\$35.715 million to the State Budget Stabilization Fund and \$3.250 million to the Gaming Revenue Fund. The revised FY 1998 estimate of \$3.971 billion is \$287.260 million, or 7.8 percent, more than actual FY 1997 receipts (\$3.684 billion).

FY 1999

The overall estimate for SGF receipts was reduced by \$169.225 million. S.B. 493, the Kansas Tax Reduction and Reform Act of 1998, reduced SGF receipts by an estimated \$175.094 million. (The net overall SGF impact was estimated to be \$246.591 million, with \$71.497 million attributable to increased expenditures necessary to offset reductions in local effort for purposes of the school finance formula.) S.B. 6, concerning the financial institutions privilege tax, increased receipts by \$16.300 million. All other SGF changes reduced receipts by \$10.431 million, with \$5.000 million of this amount attributable to a downward revision in the estimate of interest earnings (mainly as a result of the reductions in revenue).

The April 3 estimate had projected an increase in FY 1999 receipts of \$127.1 million, or 3.2 percent, over the similar estimate of FY 1998 receipts. As a result of the legislative changes, the adjusted FY 1999 estimate of \$3.968 billion represents a *decrease* of \$3.160 million below the adjusted FY 1998 figure—a reduction of 8/100 of 1 percent.

The following FY 1999 adjustments were made:

- Individual income taxes were reduced by \$106.300 million. The various income tax provisions of S.B. 493 accounted for \$106.100 million of this amount, and the income tax credits authorized by H.B. 2419 for certain expenditures associated with plugging abandoned oil and gas wells reduced the estimate by another \$0.200 million.
- Inheritance/estate tax receipts were reduced by \$30.500 million to account for the changes in S.B. 493.
- The sales tax estimate was reduced by \$23.470 million. Exemptions in S.B. 493 comprise \$22.192 million, and changes in the exemption for manufacturing machinery and equipment enacted in H.B. 2584 account for \$1.278 million.
- Corporation income tax receipts were reduced by \$12.850 million—\$12.800 million for income tax credits for property taxes paid on business machinery and equipment as provided by S.B. 493 and \$0.050 million for the well-plugging credits in H.B. 2419.
- The net financial institution privilege tax adjustment increased receipts by \$15.500 million. In addition to the \$16.300 million increase in receipts due to S.B. 6, the business machinery and equipment credits are expected to reduce privilege tax liability by \$0.800 million.
- Compensating (use) tax receipts were reduced by \$0.196 million due to expanded or new exemptions for manufacturing machinery and equipment (H.B. 2584) and broadcast machinery and equipment (S.B. 493).
- Oil severance tax receipts were reduced by \$1.440 million and gas severance tax receipts were reduced by \$1.208 million because of S.B. 493.
- The insurance premiums tax estimate was reduced by \$0.900 million under the provisions of S.B. 439.
- Transfers out of the SGF were increased by \$1.675 million. A transfer of \$1.875 million was authorized to the Juvenile Justice Authority in H.B. 2895, but \$0.200 million was to be returned to the SGF from a discontinued federal clearing fund pursuant to S.B. 495.
- Agency earnings increased by a net \$0.814 million.
- Interest earnings were reduced by a net \$5.372 million.

The attached Table 4 disaggregates the adjustments by source in greater detail than is available in Table 3.

Among the bills for which the impact on SGF receipts could not be determined were H.B. 3016 relating to the sales tax treatment of phone cards and S.B. 416 which expands the ability of insurance companies to claim certain types of tax credits.

Table 1

State General Fund Receipts
(Dollars in Thousands)

Source	FY 1997		Revised Estimates as Adjusted for Legislation FY 1998 (Revised)		FY 1999 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	\$15,683	12.0 %	\$16,000	2.0 %	\$17,000	6.3 %
Income Taxes:						
Individual	1,525,765	9.2 %	1,685,000	10.4 %	1,683,700	(0.1) %
Corporate	263,573	20.3	292,000	10.8	222,150	(23.9)
Financial Institutions	26,506	24.8	20,000	(24.5)	25,500	27.5
Domestic Insurance Co.	1,001	(2.3)	1,000	(0.1)	0	(100.0)
Total Income Taxes	1,816,845	10.0 %	1,998,000	10.0 %	1,931,350	(3.3) %
Inheritance/Estate	76,029	(23.0) %	84,000	10.5 %	59,500	(29.2) %
Excise Taxes:						
Retail Sales	1,235,000	4.4 %	1,350,000	9.3 %	1,401,530	3.8 %
Compensating Use	165,601	10.1	184,000	11.1	194,804	5.9
Cigarette	52,931	1.1	52,000	(1.8)	52,000	0.0
Tobacco Products	3,103	9.8	3,400	9.6	3,400	0.0
Cereal Malt Beverage	2,460	(2.9)	2,300	(6.5)	2,200	(4.3)
Liquor Gallonage	12,812	2.9	13,000	1.5	13,200	1.5
Liquor Enforcement	27,446	2.8	29,000	5.7	30,000	3.4
Liquor Drink	4,920	1.4	5,200	5.7	5,300	1.9
Corporate Franchise	14,293	8.8	14,500	1.4	15,500	6.9
Severance	75,713	19.1	65,700	(13.2)	60,752	(7.5)
Gas	57,420	19.5	50,600	(11.9)	48,992	(3.2)
Oil	18,293	17.8	15,100	(17.5)	11,760	(22.1)
Total Excise Taxes	1,594,279	5.4 %	1,719,100	7.8 %	1,778,686	3.5 %
Other Taxes:						
Insurance Premiums	80,413	(9.6) %	92,000	14.4 %	88,900	(3.4) %
Miscellaneous	1,898	7.2	2,000	5.4	2,000	0.0
Total Other Taxes	82,311	(2.6) %	94,000	14.2 %	90,900	(3.3) %
Total Taxes	3,585,147	6.8 %	3,911,100	9.1 %	3,877,436	(0.9) %
Other Revenues:						
Interest	66,572	5.2 %	84,000	26.2 %	79,628	(5.2) %
Project 2000 Transfers	(11,740)	—	(16,400)	39.7	(23,700)	44.5
Other Transfers	4,028	—	(51,665)	—	(8,675)	—
Agency Earnings	39,768	(7.3)	44,000	10.6	43,186	(1.9)
Total Other Revenues	98,628	7.6 %	59,935	(39.2) %	90,439	50.9 %
Total Receipts	\$3,683,775	6.8 %	\$3,971,035	7.8 %	\$3,967,875	(0.1) %

Revenues are the 4/3/98 Consensus Estimate adjusted for legislation passed in 1998 and approved by the Governor.

Table 2

**State General Fund Receipts --
Comparison of Estimates for FY 1998**
(Dollars in Thousands)

Source	Estimate <u>4/3/98</u>	Adjusted Estimate <u>5/26/98</u>	<u>Difference</u>
Property Tax:			
Motor Carrier	\$16,000	\$16,000	\$0
Income Taxes:			
Individual	1,685,000	1,685,000	0
Corporate	292,000	292,000	0
Financial Institutions	20,000	20,000	0
Domestic Ins. Companies	1000	1,000	0
Total Income Taxes	1,998,000	1,998,000	0
Inheritance/Estate	84,000	84,000	0
Excise Taxes:			
Retail Sales	1,350,000	1,350,000	0
Compensating Use	184,000	184,000	0
Cigarette	52,000	52,000	0
Tobacco Products	3,400	3,400	0
Cereal Malt Beverage	2,300	2,300	0
Liquor Gallonage	13,000	13,000	0
Liquor Enforcement	29,000	29,000	0
Liquor Drink	5,200	5,200	0
Corporate Franchise	14,500	14,500	0
Severance	65,700	65,700	0
Gas	50,600	50,600	0
Oil	15,100	15,100	0
Total Excise Taxes	1,719,100	1,719,100	0
Other Taxes:			
Insurance Premiums	92,000	92,000	0
Miscellaneous	2,000	2,000	0
Total Other Taxes	94,000	94,000	0
Total Taxes	3,911,100	3,911,100	0
Other Revenues:			
Interest	84,000	84,000	0
Project 2000 Transfers	(16,400)	(16,400)	0
Other Transfers	(12,700)	(51,665)	(38,965)
Agency Earnings	44,000	44,000	0
Total Other Revenues	98,900	59,935	(38,965)
Total Receipts	\$4,010,000	\$3,971,035	(\$38,965)

Table 3

**State General Fund Receipts --
Comparison of Estimates for FY 1999**
(Dollars in Thousands)

Source	Estimate <u>4/3/98</u>	Adjusted Estimate <u>5/26/98</u>	<u>Difference</u>
Property Tax:			
Motor Carrier	\$17,000	\$17,000	\$0
Income Taxes:			
Individual	1,790,000	1,683,700	(106,300)
Corporate	235,000	222,150	(12,850)
Financial Institutions	10,000	25,500	15,500
Domestic Ins. Companies	0	0	0
Total Income Taxes	2,035,000	1,931,350	(103,650)
Inheritance/Estate	90,000	59,500	(30,500)
Excise Taxes:			
Retail Sales	1,425,000	1,401,530	(23,470)
Compensating Use	195,000	194,804	(196)
Cigarette	52,000	52,000	0
Tobacco Products	3,400	3,400	0
Cereal Malt Beverage	2,200	2,200	0
Liquor Gallonage	13,200	13,200	0
Liquor Enforcement	30,000	30,000	0
Liquor Drink	5,300	5,300	0
Corporate Franchise	15,500	15,500	0
Severance	63,400	60,752	(2,648)
Gas	50,200	48,992	(1,208)
Oil	13,200	11,760	(1,440)
Total Excise Taxes	1,805,000	1,778,686	(26,314)
Other Taxes:			
Insurance Premiums	89,800	88,900	(900)
Miscellaneous	2,000	2,000	0
Total Other Taxes	91,800	90,900	(900)
Total Taxes	4,038,800	3,877,436	(161,364)
Other Revenues:			
Interest	85,000	79,628	(5,372)
Project 2000 Transfers	(23,700)	(23,700)	0
Other Transfers	(7,000)	(8,675)	(1,675)
Agency Earnings	44,000	43,186	(814)
Total Other Revenues	98,300	90,439	(7,861)
Total Receipts	\$4,137,100	\$3,967,875	(\$169,225)

Table 4

Adjustments by Source to Consensus April, 1998 SGF Estimates of FY 1999 Attributable to Legislation

	Inheritance (\$30.500)	Sales	Use	Ind Income	Corp Inc	Fin Inst Priv	Oil Sev	Gas Sev	Transfe	Ag Earns	Interest	Ins Prem	Total
SB 493 repeal													
SB 493 st ded				(\$18.400)									(\$30.500)
SB 493 pers ex				(\$36.300)									(\$18.400)
SB 493 15% m/e				(\$2.400)	(\$12.800)	(\$0.800)							(\$36.300)
SB 493 EITC				(\$12.600)									(\$16.000)
SB 493 sing acc				(\$23.000)									(\$12.600)
SB 493 food rebts				(\$13.400)									(\$23.000)
SB 493 res rmding		(\$14.667)											(\$13.400)
SB 493 religious		(\$4.182)											(\$14.667)
SB 493 educ inst		(\$0.400)											(\$4.182)
SB 493 zoos		(\$0.437)											(\$0.400)
SB 493 youth grps		(\$1.281)											(\$0.437)
SB 493 pla/ptos		(\$0.326)											(\$1.281)
SB 493 brcaat m/e		(\$0.489)	(\$0.054)										(\$0.326)
SB 493 hum dues		(\$0.339)											(\$0.543)
SB 493 vet dues		(\$0.071)											(\$0.339)
SB 493 oil sev gov													(\$0.071)
SB 493 gas sv \$87							(\$1.198)						(\$1.198)
SB 493 oil sev 7yr								(\$0.288)					(\$0.288)
SB 493 gas 7yr							(\$0.242)						(\$0.242)
SB 6 priv tax									(\$0.920)				(\$0.920)
HB 2584 mfg m/e		(\$1.278)	(\$0.142)			\$16.300							\$16.300
HB 2895 JJA transfer													(\$1.420)
HB 2895 KU earn									(\$1.875)				(\$1.875)
HB 2895 food fund										\$0.130			\$0.130
SB 439 ins prems										(\$0.939)			(\$0.939)
HB 3005 boll insp fee												(\$0.900)	(\$0.900)
HB 2609 cosm fee										(\$0.040)			(\$0.040)
SB 495 fed transfer										\$0.035			\$0.035
SB 373 lost hsp Int									\$0.200				\$0.200
recomputed Interest											(\$0.338)		(\$0.338)
HB 2478 wheat int											(\$5.000)		(\$5.000)
HB 2419 plug credits				(\$0.200)	(\$0.050)						(\$0.034)		(\$0.034)
TOTAL	(\$30.500)	(\$23.470)	(\$0.196)	(\$106.300)	(\$12.850)	\$15.500	(\$1.440)	(\$1.208)	(\$1.875)	(\$0.814)	(\$5.372)	(\$0.900)	(\$169.225)
exhibit: subtotal SB 493	(\$30.500)	(\$22.192)	(\$0.054)	(\$106.100)	(\$12.800)	(\$0.800)	(\$1.440)	(\$1.208)	—	—	—	—	(\$175.094)

6-15

November 6, 1997

To: Governor Bill Graves and Legislative Budget Committee

From: Kansas Legislative Research Department and Kansas Division of the Budget

Re: State General Fund Receipts for FY 1998 (Revised) and FY 1999

Estimates for the State General Fund are developed using a consensus process that involves the Legislative Research Department, Division of the Budget, Department of Revenue, and three consulting economists from state universities. This estimate is the base from which the Governor and the Legislature build the annual budget. The consensus group met on November 5, 1997, and increased the FY 1998 estimate by \$217.3 million or 5.8 percent and developed the first estimate for FY 1999. The revised FY 1998 estimate is \$3.940 billion and the FY 1999 estimate is \$4.018 billion. The FY 1998 estimate represents an increase of \$256.5 million (7.0 percent) over actual FY 1997 receipts of \$3.684 billion. The initial FY 1999 estimate is \$77.2 million or 2.0 percent above the revised FY 1998 figure. (FY 1999 would be an increase of \$143.8 million or 3.7 percent without the \$66.6 million one-time corporation income tax payment that Western Resources has announced it will be making in FY 1998.) Detailed information regarding the specific sources of revenue constituting total receipts is presented in Table 1. Table 2 compares the FY 1998 estimate developed on April 4, 1997, as adjusted for legislation enacted after that meeting, with the revised estimate from the November 5, 1997, meeting.

Economic Forecast for Kansas

Kansas has enjoyed a robust period of economic growth during 1996 and 1997. Record levels of employment, especially in transportation manufacturing (aviation), have contributed significantly to strong statewide personal income growth. A record yield in the wheat crop for 1997 and a projected record for the corn crop are indicative of the strength of the agricultural sector. Over the forecast period, the Kansas economy is expected to mirror that of the national economy and remain healthy, even though the rate of growth moderates in 1998. Continued strong growth in transportation employment also could mean that the slowdown in the Kansas growth rate will not be as pronounced as the projected deceleration in the national growth rate.

Kansas Personal Income

Kansas Personal Income in 1996 grew by 6.3 percent over the 1995 level, the largest annual percentage increase since 1992 (when the state and national economies were coming out of a recession). For 1997, Kansas Personal Income is projected to again grow by a healthy 6.2 percent. The rate of personal income growth is expected to decelerate somewhat during the next two years, with forecasts of 5.3 percent for 1998 and 4.8 percent for 1999. It should be noted that the unexpected increases in individual income tax receipts that Kansas and other

states have experienced over the last two years are thought to be largely attributable to record levels of capital gains and dividends. Capital gains and dividends, which have become an increasingly important (and volatile) part of the individual income tax base, are not among the components of income which comprise the federal and state personal income forecasts.

Inflation Rate

Inflation, as measured by the Consumer Price Index for all Urban consumers (CPI-U), increased by 2.9 percent in 1996. An average of current national forecasts for 1997 suggests a final figure of 2.5 percent. The forecast for 1998 and 1999 is for inflation to continue at extremely moderate levels, 2.5 percent and 2.7 percent, respectively.

Interest Rates

The Pooled Money Investment Board makes investments in bank certificates of deposit, repurchase agreements, and other statutorily authorized securities. In FY 1997, the state earned 5.48 percent on its SGF portfolio. The average rate of return being forecasted for FY 1998 is 5.53 percent. For FY 1999, it is 5.35 percent. The rate of return over the forecast period is anticipated to be the equivalent of forecasted rates for the six-month Treasury Bill.

Oil and Gas

The average price per taxable barrel of Kansas crude oil is estimated to be \$18.50 for FY 1998 and to decrease slightly to \$18.25 in FY 1999. The final average taxable price per barrel in FY 1997 was \$21.09. Gross oil production in Kansas, which has been declining steadily over the last decade, is expected to continue to decline over the forecast period. The price of natural gas is expected to increase from the final FY 1997 figure of \$2.03 per mcf to \$2.10 per mcf in FY 1998, based on an unusually strong late summer and early fall increase in the price and on an industry source's analysis of the Kansas City Board of Trade futures markets. For FY 1999, the price is expected to decline to the \$1.90 range (though this price is still much higher than the \$1.40 to \$1.50 per mcf experienced over the FY 1995 through FY 1996 period). Natural gas production in FY 1997 of 704 million cubic feet represented a slight decrease from 730 million cubic feet in FY 1996. Production is expected to remain relatively constant at 705 million cubic feet for FY 1998 before resuming its decline to 685 million cubic feet in FY 1999.

Economic Forecasts					
	<u>CY 95</u>	<u>CY 96</u>	<u>CY 97*</u>	<u>CY 98*</u>	<u>CY 99*</u>
KPI Growth	5.7%	6.3%	6.2%	5.3%	4.8%
Inflation (CPI-U)	2.8%	2.9%	2.5%	2.5%	2.7%
	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98*</u>	<u>FY 99*</u>
SGF Interest**	4.70%	5.10%	5.48%	5.53%	5.35%
Oil and Gas					
Oil Price per bbl	\$16.02	\$17.13	\$21.09	\$18.50	\$18.25
Gross Prod. (000 bbls)	46,570	43,288	41,711	40,000	38,500
Gas Price per mcf	\$1.40	\$1.47	\$2.03	\$2.10	\$1.90
Gas Taxable Value	\$907,373	\$1,004,164	\$1,352,646	\$1,399,073	\$1,223,410
* Estimated.					
** Rates based on the total investment portfolio applicable to SGF interest earnings based on legislation enacted in 1992 and 1996.					

State General Fund Receipts Estimates

FY 1998. The revised estimate of SGF receipts for FY 1998 is \$3.940 billion, an increase of \$217.3 million over the previous estimate produced on April 4, 1997, and subsequently adjusted for certain 1997 state legislation. The revised estimate is \$256.5 million or 7.0 percent above actual FY 1997 receipts. Details of the revised estimate are reflected in Tables 1 and 2.

Increases in individual and corporation income and retail sales and compensating use taxes accounted for \$230.0 million which were offset, in part, by reductions in other sources.

Each individual SGF source was reevaluated independently and consideration was given to revised and updated economic forecasts, collection information from the Departments of Revenue and Insurance, and year-to-date receipts.

The estimate for individual income taxes was increased by \$124.7 million. This strong upward revision was influenced largely by the aforementioned continued strong employment and personal income forecasts; another relatively strong year in financial markets (at least through the middle of October) which is indicative of another significant year for capital gains and dividends; and the potential for an additional one-time boost in capital gains attributable to a federal tax cut.

The corporation income tax estimate was increased by \$65.0 million. As noted earlier, Western Resources has announced a previously unanticipated one-time \$66.6 million increase in FY 1998 liability. Anticipated refunds offset a portion of this gain.

The estimate for sales tax receipts, increased above the prior estimate by \$30.3 million, was influenced, in part, by extremely strong October receipts. The compensating use tax forecast was increased by \$10.0 million. Through the end of October, use tax receipts are 16.4 percent above actual FY 1997 receipts for the same four months. Severance taxes were increased by \$7.3 million, based largely on an increase in the price forecast for natural gas.

The financial institutions privilege tax was revised downward by \$18.0 million in recognition of the new ability for state banks to establish subsidiaries for the purpose of managing the bank's securities. Moving U.S. securities to these subsidiaries represents a "loophole," wherein interest earned on U.S. assets escapes taxation. As of November 5, 1997, 69 of 290 state banks had established such subsidiaries. Returns received thus far in FY 1998 suggest that a growing number of financial institutions are utilizing this procedure and are reducing or eliminating their privilege tax liabilities.

Interest earnings for FY 1998 were decreased slightly due to a decrease in the projected SGF portfolio interest rate. The estimate for receipts attributable to Project 2000 was reduced substantially—from \$28.0 million to \$15.2 million—to more accurately reflect current collections. Also, a decrease of \$4.2 million was projected for the insurance premiums tax.

FY 1999. SGF receipts are estimated to be \$4.018 billion in FY 1999, an increase of \$77.2 million or 2.0 percent when compared to the newly revised FY 1998 estimate. This increase would be \$143.8 million or 3.7 percent without the Western Resources payment in FY 1998. Details of this estimate are shown in Table 1.

The principal SGF revenue sources expected to increase in FY 1999 are as follows: individual income tax by 4.6 percent; retail sales tax by 4.9 percent; compensating use tax by 5.6 percent; and inheritance tax by 5.3 percent.

Corporation income tax receipts are expected to decline by \$60.0 million in FY 1999, since the extraordinary \$66.6 million payment in FY 1998 will not be part of the ongoing corporate tax base, and the financial institutions privilege tax is expected to decline by \$10.0 million as more state banks move to establish subsidiaries for managing their securities.

The lower growth rate in overall SGF receipts for FY 1999 reflects a number of factors, including underlying economic forecasts of moderating growth; the likelihood that the unusually large growth in capital gains and dividend income over the last several fiscal years will not be replicated; accelerating impact of state tax cuts (especially individual income taxes and insurance privilege and premiums taxes); potential negative impact on receipts attributable to federal tax law changes (*e.g.*, expansion of IRAs); the removal from the corporate tax base of the extraordinary \$66.6 million payment; and the possibility that a September 1997 Federal Energy Regulatory Commission ruling could cause some reductions in income taxes.

Project 2000

The estimates provided by the Department of Revenue for additional taxes realized from Project 2000 are shown in Tables 1 and 2 as part of the "Other Taxes" entry. However, money realized from Project 2000 actually is reflected in the monthly report and will be shown in the final report of fiscal year receipts to the SGF in the appropriate specific tax source. The FY 1998 and FY 1999 estimates for specific tax sources do not include estimates for revenue

collections that are attributable to Project 2000. Thus, if estimates are accurate, the amount of total taxes received at the end of the fiscal year will exceed the estimate for the specific taxes by the amount of the Project 2000 estimates embodied in the "Other Taxes" entry.

Accuracy of Consensus Revenue Estimates

For 23 years, State General Fund revenue estimates for Kansas have been developed using the consensus revenue estimating process. Besides the three state agencies referred to on the first page, the economists currently involved in the process are Joe Sicilian from the University of Kansas, Ed Olson from Kansas State University, and John Wong from Wichita State University. Each of the entities and individuals involved in the process prepared independent estimates and met on November 5, 1997, to discuss estimates and come to a consensus for each fiscal year.

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)
1996	3,428.0	3,409.2	3,448.3	20.3	0.6	39.0	1.1
1997	3,524.8	3,642.4	3,683.8	159.0	4.5	41.4	1.1

* 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 State 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.

The table (above) presents estimates compared to actual receipts since FY 1975, the fiscal year for which the current process was initiated. First, the adjusted original estimate is compared to actual collections and then the final estimate is compared to actual receipts. In the first six fiscal years of the process, actual receipts were an average of 4.3 percent higher than the adjusted original estimates; from FY 1982 to FY 1987, receipts were lower than the estimates by an average of 6.3 percent; and beginning in FY 1988, actual receipts have been higher than 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 because only three months remained in the fiscal year when the final estimate was made. In the last nine fiscal years, the difference ranged from 0.5 percent to 1.6 percent and in six of these years the difference was 1.0 percent or less.

Concluding Comments

Consensus revenue estimates are based on current federal and state laws. The group will meet again in April to revise these estimates. Developments which may occur between the November and April meeting will be taken into account at the April meeting.

Table 1
State General Fund Receipts
(In Thousands)

	Consensus Estimates, November 5, 1997					
	FY 1997		FY 1998 (Revised)		FY 1999	
	Amount	Percent Increase	Amount	Percent Increase	Amount	Percent Increase
Property Tax:						
Motor Carrier	\$15,683	12.0 %	\$17,000	8.4 %	\$18,000	5.9 %
Income Taxes:						
Individual	\$1,525,765	9.7	\$1,645,000	7.8	\$1,720,000	4.6
Corporation	263,573	20.6	295,000	11.9	235,000	(20.3)
Financial Inst.	26,506	(24.8)	20,000	(24.5)	10,000	(50.0)
Domestic Ins. Co.	1,001	(2.3)	1,000	(0.1)	0	(100.0)
Total	\$1,816,846	10.4	\$1,961,000	7.9	\$1,965,000	0.2
Inheritance	\$76,029	(23.0)	\$76,000	(0.0)	\$80,000	5.3
Excise Taxes:						
Retail Sales	\$1,235,001	4.7	\$1,320,000	6.9	\$1,385,000	4.9
Compensating Use	165,601	10.5	180,000	8.7	190,000	5.6
Cigarette	52,931	1.1	53,000	0.1	53,000	0.0
Tobacco Prod.	3,103	6.1	3,400	9.6	3,500	2.9
Cereal Malt Bev.	2,460	(2.9)	2,300	(6.5)	2,200	(4.3)
Liquor Gallonage	12,812	2.9	13,000	1.5	13,200	1.5
Liquor Enforce.	27,446	4.7	27,500	0.2	28,500	3.6
Liquor Dr. Places	4,920	2.4	5,000	1.6	5,100	2.0
Corp. Franchise	14,293	8.8	14,500	1.4	15,500	6.9
Severance	75,713	19.1	75,000	(0.9)	66,300	(11.6)
Gas	57,420	19.5	57,100	(0.6)	49,300	(13.7)
Oil	18,293	17.8	17,900	(2.1)	17,000	(5.0)
Total	\$1,594,279	5.8	\$1,693,700	6.2	\$1,762,300	4.1
Other Taxes:						
Insurance Prem.	\$80,414	(9.6)	\$87,300	8.6	\$85,300	(2.3)
Project 2000	—	0.0	15,200	—	23,600	55.3
Miscellaneous	1,898	7.2	2,000	5.4	2,000	0.0
Total	\$82,311	(9.3)	\$104,500	27.0	\$110,900	6.1
Total Taxes	\$3,585,148	6.8	\$3,852,200	7.4	\$3,936,200	2.2
Other Revenues:						
Interest	\$66,572	5.2	\$67,200	0.9	\$71,400	6.3
Net Transfers	(7,712)	46.8	(23,130)	—	(34,100)	47.4
Project 2000	(11,740)	0.0	(15,200)	29.5	(23,600)	55.3
Others	4,028	0.0	(7,930)	—	(10,500)	32.4
Agency Earnings	39,768	(7.2)	44,000	10.6	44,000	0.0
Total Other Revenue	\$98,628	7.6	\$88,070	(10.7)	\$81,300	(7.7)
Total Receipts	\$3,683,775	6.8	\$3,940,270	7.0	\$4,017,500	2.0

Table 2

State General Fund Receipts – Comparison of Estimates for FY 1998
 Made on April 4, 1997, and November 5, 1997 (In Thousands)

	Estimate* <u>04/04/97</u>	Revised Estimate <u>11/05/97</u>	<u>Difference</u>
Property Tax:			
Motor Carrier	\$17,000	\$17,000	–
Income Taxes:			
Individual	\$1,520,300	\$1,645,000	\$124,700
Corporation	230,000	295,000	65,000
Financial Inst.	38,000	20,000	(18,000)
Domestic Ins. Co.	1,000	1,000	0
Total	\$1,789,300	\$1,961,000	\$171,700
Inheritance	\$72,000	\$76,000	\$4,000
Excise Taxes:			
Retail Sales	\$1,289,680	\$1,320,000	\$30,320
Compensating Use	170,000	180,000	10,000
Cigarette	53,000	53,000	–
Tobacco Prod.	3,400	3,400	–
Cereal Malt Bev.	2,300	2,300	–
Liquor Gallonage	12,700	13,000	300
Liquor Enforce.	27,500	27,500	–
Liquor Dr. Places	5,000	5,000	–
Corp. Franchise	14,500	14,500	–
Severance	67,700	75,000	7,300
Gas	49,200	57,100	7,900
Oil	18,500	17,900	(600)
Total	\$1,645,780	\$1,693,700	\$47,920
Other Taxes:			
Insurance Prem.	\$91,500	\$87,300	(4,200)
Project 2000	28,000	15,200	(12,800)
Miscellaneous	2,000	2,000	–
Total	\$121,500	\$104,500	(\$17,000)
Total Taxes	\$3,645,580	\$3,852,200	\$206,620
Other Revenues:			
Interest	\$71,000	\$67,200	(\$3,800)
Net Transfers	(38,690)	(23,130)	15,560
Project 2000	(28,000)	(15,200)	12,800
Others	(10,690)	(7,930)	2,760
Agency Earnings	45,050	44,000	(1,050)
Total Other Revenue	\$77,360	\$88,070	\$10,710
Total Receipts	\$3,722,940	\$3,940,270	\$217,330

*—as adjusted for legislation enacted subsequent to this meeting.