

Approved: January 29, 2003
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Stephen Morris at 10:35 a.m. on January 14, 2003, in Room 123-S of the Capitol.

All members were present except: Senator Paul Feleciano, Jr.- excused

Committee staff present:

Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Chief Fiscal Analyst, Kansas Legislative Research Department
Leah Robinson, Kansas Legislative Research Department
Nicoletta Buonasera, Kansas Legislative Research Department
Melissa Calderwood, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Debra Hollon, Kansas Legislative Research Department
Becky Krahl, Kansas Legislative Research Department
Amy VanHouse, Kansas Legislative Research Department
Carolyn Rampey, Kansas Legislative Research Department
Robert Waller, Kansas Legislative Research Department
Paul West, Kansas Legislative Research Department
Norman Furse, Revisor of Statutes
Mike Corrigan, Assistant Revisor of Statutes
Judy Bromich, Administrative Analyst
Mary Shaw, Committee Secretary

Conferees appearing before the committee: None

Others attending: See attached list

Chairman Stephen Morris welcomed everyone to the meeting and expressed his appreciation of staff and all the work done by them. He congratulated Alan Conroy as the new Director and J. G. Scott as the new Chief Fiscal Analyst of the Kansas Legislative Research Department. Mr. Conroy introduced all of the new and returning staff of the Kansas Legislative Research Department.

Staff distributed copies of the Legislative Fiscal Analyst Assignments—FY 2004 published by Kansas Legislative Research Department (Attachment 1).

Alan Conroy, Director, Kansas Legislative Research Department, presented a summary/overview of the Kansas budget regarding the changes from the end of the 2002 session of the Legislature and selected key budgetary decisions for the 2003 Legislature (Attachment 2). Mr. Conroy explained that the total estimated shortfall in FY 2004, based on additional funding items as explained in the overview, totals approximately \$750 million.

Staff distributed copies of a memorandum dated January 7, 2003, which was addressed to the Legislative Budget Committee, regarding the State General Fund (SGF) Receipts, July through December 2002 (Attachment 3).

Copies of the full consensus revenue estimate memorandum addressed to Governor Bill Graves, et. al., dated December 9, 2002, from the Kansas Division of the Budget and the Kansas Legislative Research Department regarding State General Fund Receipts for FY 2003 (Revised) and FY 2004, were distributed to the Committee (Attachment 4).

CONTINUATION SHEET

Chairman Morris mentioned that the subcommittee assignments should be out soon with a few minor changes so subcommittee scheduling can begin as soon as possible.

Senator Adkins moved, with a second by Senator Jackson, to introduce the Governor's budget bills for FY 2003 and FY 2004. Motion carried on a voice vote.

The meeting adjourned at 11:20 a.m. The next meeting is scheduled for January 15, 2003.

SENATE WAYS AND MEANS COMMITTEE

GUEST LIST

DATE Jan. 14, 2003

NAME	REPRESENTING
Cindy Derole	DOB
Stephanie Buchanan	DOB
Julie Thomas	DOB
Scott Bruning	DOB
John Murphy	KHE
Keith Haxton	SEAK
Jan Brack	KSC
Sandy Braden	Gachis, Braden, Dabee & Assoc.
Cindy D'Ercole	Kansas Action for Children
Michael White	Kearney & Associates
Bill Watts	KDOT
Jessa Schwab	KCSL
Lisa Becker	SRS
Kevin Berone	Hein Law Firm
Carole Braden	KDAg
Danielle Noe	Johnson County
Ben Hopper	KS Dairy Assoc.
Mike Guttler	Ks. Gov't. Consulting

LEGISLATIVE FISCAL ANALYST ASSIGNMENTS—FY 2004

J. G. SCOTT (6-4397)

JGScott@klrd.state.ks.us
 422 Legislative Coordinating Council
 425 Legislative Research Department
 428 Legislature
 540 Division of Post Audit
 579 Revisor of Statutes

LEAH ROBINSON (6-4447)

LeahR@klrd.state.ks.us
 173 Department of Administration
 252 Governor
 446 Lieutenant Governor
 Budget Data Coordinator

NICOLETTA BUONASERA (6-4418)

NicolettaB@klrd.state.ks.us
 350 Juvenile Justice Authority
 319 Topeka Juvenile Correctional Facility
 325 Beloit Juvenile Correctional Facility
 355 Atchison Juvenile Correctional Facility
 412 Larned Juvenile Correctional Facility
 523 Parole Board
 028 Accountancy Board
 204 Mortuary Arts Board
 100 Board of Barbering
 149 Board of Cosmetology

MELISSA CALDERWOOD (6-4138)

MelissaC@klrd.state.ks.us
 410 Larned State Hospital
 494 Osawatomie State Hospital
 555 Rainbow Mental Health Facility
 363 Kansas Neurological Institute
 507 Parsons State Hospital
 261 Kansas Guardianship Program
 670 State Treasurer
 105 Board of Healing Arts
 167 Dental Board
 488 Optometry Board
 531 Board of Pharmacy
 266 Hearing Aid Examiners

AMY DECKARD (6-4429)

AmyD@klrd.state.ks.us
 622 Secretary of State
 247 Governmental Ethics Commission
 349 Judicial Council
 604 School for the Blind
 610 School for the Deaf
 331 Insurance Department
 270 Health Care Stabilization Board of Governors
 562 Board of Tax Appeals
 663 Board of Technical Professions
 482 Board of Nursing
 102 Behavioral Sciences Regulatory Board
 016 Abstracters Board

MARTHA DORSEY (6-4419)

MarthaD@klrd.state.ks.us
 521 Department of Corrections
 177 Ellsworth Correctional Facility
 195 El Dorado Correctional Facility
 313 Hutchinson Correctional Facility
 400 Lansing Correctional Facility
 408 Larned Correctional Facility
 581 Norton Correctional Facility
 660 Topeka Correctional Facility
 712 Winfield Correctional Facility
 147 Ombudsman of Corrections

JULIAN EFIRD (6-3535)

JulianE@klrd.state.ks.us
 565 Department of Revenue
 710 Department of Wildlife and Parks
 365 Kansas Public Employees Retirement System
 450 Kansas Lottery
 553 Racing and Gaming Commission

DEBRA HOLLON (6-4396)

DebraH@klrd.state.ks.us
 264 Department of Health and Environment
 300 Department of Commerce and Housing
 360 Kansas Inc.
 371 Kansas Technology Enterprise Corp.
 328 Board of Indigents' Defense Services Coordinator, Economic Development Initiatives Fund

BECKY KRAHL (6-3184)

BeckyK@klrd.state.ks.us
 296 Department of Human Resources
 143 Kansas Corporation Commission
 122 Citizen Utility Ratepayer Board
 359 Kansas Arts Commission
 058 Commission on Human Rights
 434 State Library
 625 Securities Commissioner
 094 Bank Commissioner
 159 Department of Credit Unions
 543 Real Estate Appraisal Board
 549 Real Estate Commission

AMY VANHOUSE (6-4443)

AmyV@klrd.state.ks.us
 046 Department of Agriculture
 709 Kansas Water Office
 055 Animal Health Department
 373 Kansas State Fair Board
 634 State Conservation Commission
 700 Board of Vet. Medical Examiners
 694 Comm. Veterans Affairs/Soldiers Home/Veterans Home Coordinator, Water Plan Fund

AUDREY NOGLE (6-3183)

AudreyN@klrd.state.ks.us
 629 Dept. of Social and Rehabilitation Services
 039 Department on Aging

CAROLYN RAMPEY (6-4404)

CarolynR@klrd.state.ks.us
 652 Department of Education
 082 Attorney General
 677 Judicial Branch
 288 State Historical Society

ROBERT WALLER (6-4181)

RobertW@klrd.state.ks.us
 276 Department of Transportation
 034 Adjutant General
 206 Emergency Medical Services Board
 234 Fire Marshal
 280 Highway Patrol
 626 Sentencing Commission
 083 Attorney General-Kansas Bureau of Invest.

PAUL WEST (6-4409)

PaulW@klrd.state.ks.us
 561 Board of Regents
 246 Fort Hays State University
 379 Emporia State University
 367 Kansas State University
 367 KSU-Veterinary Medical Center
 367 KSU-Agricultural Extension
 385 Pittsburg State University
 682 University of Kansas
 683 University of Kansas Medical Center
 715 Wichita State University
 176 Kansas Development Finance Authority Coordinator, Joint Committee on State Building Construction

LEGISLATIVE FISCAL ANALYST ASSIGNMENTS—FY 2004

Abstracters Board (Amy Deckard/6-4429)
Accountancy Board (Nicoletta Buonasera/6-4418)
Adjutant General (Robert Waller/6-4181)
Administration, Department of (Leah Robinson/6-4447)
Aging, Department on (Audrey Nogle/6-3183)
Agriculture, Department of (Amy VanHouse/6-4443)
Animal Health Department (Amy VanHouse/6-4443)
Atchison Juvenile Correctional Facility (Nicoletta Buonasera/6-4418)
Attorney General (Carolyn Rampey/6-4404)
Attorney General-Kansas Bureau of Invest. (Robert Waller/6-4181)

Bank Commissioner (Becky Krah/6-3184)
Barbering, Board of (Nicoletta Buonasera/6-4418)
Behavioral Sciences Regulatory Board (Amy Deckard/6-4429)
Beloit Juvenile Correctional Facility (Nicoletta Buonasera/6-4418)

Citizen Utility Ratepayer Board (Becky Krah/6-3184)
Commerce and Housing, Department of (Debra Hollon/6-4396)
Corrections, Department of (Martha Dorsey/6-4419)
Cosmetology, Board of (Nicoletta Buonasera/6-4418)
Credit Unions, Department of (Becky Krah/6-3184)

Dental Board (Melissa Calderwood/6-4138)

Education, Department of (Carolyn Rampey/6-4404)
El Dorado Correctional Facility (Martha Dorsey/6-4419)
Ellsworth Correctional Facility (Martha Dorsey/6-4419)
Emergency Medical Services Board (Robert Waller/6-4181)
Emporia State University (Paul West/6-4409)

Fire Marshal (Robert Waller/6-4181)
Fort Hays State University (Paul West/6-4409)

Governmental Ethics Commission (Amy Deckard/6-4429)
Governor (Leah Robinson/6-4447)

Healing Arts, Board of (Melissa Calderwood/6-4138)
Health and Environment, Department of (Debra Hollon/6-4396)
Health Care Stabilization Bd. of Gov. (Amy Deckard/6-4429)
Hearing Aid Examiners (Melissa Calderwood/6-4138)
Highway Patrol (Robert Waller/6-4181)
Human Resources, Department of (Becky Krah/6-3184)
Human Rights, Commission on (Becky Krah/6-3184)
Hutchinson Correctional Facility (Martha Dorsey/6-4419)

Indigents' Defense Services, Board of (Debra Hollon/6-4396)
Insurance Department (Amy Deckard/6-4429)

Judicial Branch (Carolyn Rampey/6-4404)
Judicial Council (Amy Deckard/6-4429)
Juvenile Justice Authority (Nicoletta Buonasera/6-4418)

Kansas Arts Commission (Becky Krah/6-3184)
Kansas Corporation Commission (Becky Krah/6-3184)
Kansas Development Finance Authority (Paul West/6-4409)
Kansas Guardianship Program (Melissa Calderwood/6-4138)
Kansas Inc. (Debra Hollon/6-4396)
Kansas Lottery (Julian Efir/6-3535)
Kansas Neurological Institute (Melissa Calderwood/6-4138)
Kansas Public Employees Retirement System (Julian Efir/6-3535)
Kansas State Fair Board (Amy VanHouse/6-4443)
Kansas State University (Paul West/6-4409)
Kansas Technology Enterprise Corp. (Debra Hollon/6-4396)
Kansas Water Office (Amy VanHouse/6-4443)
KSU-Agricultural Extension (Paul West/6-4409)
KSU-Veterinary Medical Center (Paul West/6-4409)

Lansing Correctional Facility (Martha Dorsey/6-4419)
Larned Correctional Facility (Martha Dorsey/6-4419)
Larned Juvenile Correctional Facility (Nicoletta Buonasera/6-4418)
Larned State Hospital (Melissa Calderwood/6-4138)
Legislative Coordinating Council (J. G. Scott/6-4397)
Legislative Research Department (J. G. Scott/6-4397)
Legislature (J. G. Scott/6-4397)
Lieutenant Governor (Leah Robinson/6-4447)

Mortuary Arts Board (Nicoletta Buonasera/6-4418)

Norton Correctional Facility (Martha Dorsey/6-4419)
Nursing, Board of (Amy Deckard/6-4429)

Ombudsman of Corrections (Martha Dorsey/6-4419)
Optometry Board (Melissa Calderwood/6-4138)
Osawatomie State Hospital (Melissa Calderwood/6-4138)

Parole Board (Nicoletta Buonasera/6-4418)
Parsons State Hospital (Melissa Calderwood/6-4138)
Pharmacy, Board of (Melissa Calderwood/6-4138)
Pittsburg State University (Paul West/6-4409)
Post Audit, Division of (J. G. Scott/6-4397)

Racing and Gaming Commission (Julian Efir/6-3535)
Rainbow Mental Health Facility (Melissa Calderwood/6-4138)
Real Estate Appraisal Board (Becky Krah/6-3184)
Real Estate Commission (Becky Krah/6-3184)
Regents, Board of (Paul West/6-4409)
Revenue, Department of (Julian Efir/6-3535)
Revisor of Statutes (J. G. Scott/6-4397)

School for the Blind (Amy Deckard/6-4429)
School for the Deaf (Amy Deckard/6-4429)
Secretary of State (Amy Deckard/6-4429)
Securities Commissioner (Becky Krah/6-3184)
Sentencing Commission (Robert Waller/6-4181)
Social and Rehabilitation Services, Department of (Audrey Nogle/6-3183)
State Conservation Commission (Amy VanHouse/6-4443)
State Historical Society (Carolyn Rampey/6-4404)
State Library (Becky Krah/6-3184)
State Treasurer (Melissa Calderwood/6-4138)

Tax Appeals, Board of (Amy Deckard/6-4429)
Technical Professions, Board of (Amy Deckard/6-4429)
Topeka Correctional Facility (Martha Dorsey/6-4419)
Topeka Juvenile Correctional Facility (Nicoletta Buonasera/6-4418)
Transportation, Department of (Robert Waller/6-4181)

University of Kansas (Paul West/6-4409)
University of Kansas Medical Center (Paul West/6-4409)

Veterans Affairs/Soldiers Home/Veterans
Home, Comm. On (Amy VanHouse/6-4443)
Vet. Medical Examiners, Board of (Amy VanHouse/6-4443)

Wichita State University (Paul West/6-4409)
Wildlife and Parks, Department of (Julian Efir/6-3535)
Winfield Correctional Facility (Martha Dorsey/6-4419)

Fiscal analyst and telephone extension in red

Kansas Legislative Research Department
36686(1/7/3(9:13AM))

Summary Overview of the Kansas Budget

I. Changes from the End of the 2002 Session of the Legislature:

- A. **Actual FY 2002 State General Fund receipts** for the fiscal year that ended on June 30, 2002 were \$212 million or 4.9 percent **below** the revised FY 2002 estimate made in March 2002 (the largest amount (above or below the estimate) that the Consensus Revenue Estimating Group has missed the final estimate, when compared to actual receipts).
- B. The State General Fund ending balance on June 30, 2002 was \$12.1 million or 0.3 percent of expenditures.
- C. The State Finance Council authorized the **largest Certificate of Indebtedness** ever (internal borrowing from other state funds) of \$450 million on July 1, 2002, the first day of Fiscal Year 2003.
- D. The Governor in August, 2002 **imposed State General Fund allotments** (reductions) in the amount of \$41 million against the authorized FY 2003 executive branch budget. In general, the reductions were 2.0 percent, with K-12 education and the Regents system receiving an allotment of 0.75 percent. The K-12 reduction resulted in a base state aid per pupil reduction of \$27 (\$3,890 to \$3,863 per pupil).
- E. On November 5, 2002, the State General Fund Consensus Revenue Estimating Group **revised downward the current year estimate by \$363.5 million** or 8.0 percent. The reduction is the largest dollar amount for a current year revision since the Consensus Group began meeting in the 1970's.
- F. In late November, 2002, Governor Graves announced **another round of State General Fund allotments** (or reductions) totaling \$126.1 million. The allotments included:
- ▶ 3.9 percent reduction (\$78.1 million) to all agencies except K-12, School for the Blind, School for the Deaf, Board of Indigents' Defense Services, Legislative Branch, and Judicial Branch.
 - ▶ Stop local demand/revenue transfers (\$48.0 million) in the current year (Local Ad Valorem Tax Reduction Fund; County-City Revenue Sharing Fund; and Special City-County Highway Fund).

Senate Ways and Means
1-14-03
Attachment 2

II. Selected Key Budgetary Decisions for the 2003 Legislature:

- A. Governor Graves has recommended the State General Fund **not repay a loan from the Department of Transportation** of \$94.6 million in FY 2003.
- B. Governor Graves has also **recommended the transfer** of \$35.1 million in various special revenue fund balances (i.e., Kansas Endowment for Youth Fund; Senior Services Trust Fund; etc.) to the State General Fund in the current year.
- C. Funding of \$56.5 million in **current State General Fund supplementals** - General and Supplemental State School Aid (\$28.6 million); KPERS-School (\$6.2 million); and SRS and Aging caseloads (\$21.7 million). Governor Graves latest budgetary proposal did not address funding these supplementals.
- D. To meet the current statutory 7.5 percent State General Fund **ending balance requirement** for FY 2004 approximately \$315 million will be needed.
- E. **Comprehensive Transportation Plan** - No State General Fund financing was provided in FY 2003 (although a motor fuels tax and motor vehicle registration fees increased). The FY 2004 amount is estimated to \$183.4 million.
- F. The FY 2004 budget will need to **replace approximately \$94 million of one-time money** (i.e., federal Inter-Governmental Transfer Fund) that was used to finance the FY 2003 budget.
- G. **Caseloads in SRS and Aging** will increase \$56 million in FY 2004 (most of these caseloads are entitlements).
- H. **Higher Education Reform Act** in FY 2004 will need a minimum of \$16.8 million to fund an additional year, based on the original (adjusted) estimated funding schedule.
- I. **Kansas Public Employees Retirement System (KPERS)** will increase at least \$15 million in FY 2004 (\$9.0 million for the full year costs of the death and disability - FY 2003 there was a 6 month moratorium and \$6 million for the statutorily required increase in the employer's contribution).
- J. **State employer costs for employee health insurance** will increase an estimated \$12 million in FY 2004.
- K. **The total estimated shortfall in FY 2004, based on the preceding additional funding items, total approximately \$750 million.**

**STATE GENERAL FUND PROFILE*
REFLECTING NOVEMBER 2002 CONSENSUS REVENUE ESTIMATES**

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>Difference FY 03-04</u>
Beginning Balance	\$ 369.2	\$ 12.1	\$ -	
Receipts (Nov. 2002 Consensus)*	\$ 4,108.9	\$ 4,329.7	\$ 4,525.7	\$ 196.0
FY 2004 Demand/Revenue Transfer Adj.	0.0	0.0	(155.0)	(155.0)
Total Available	\$ 4,478.1	\$ 4,341.8	\$ 4,370.7	\$ 28.9
Expenditures	4,466.1	4,341.8	4,065.8	(276.0)
Ending Balance	<u>\$ 12.1</u>	<u>\$ -</u>	<u>\$ 304.9</u>	
Ending Balance as a % of Exp.	0.3%	0.0%	7.5%	

***Assumptions:**

FY 2003 receipts reflect the November consensus revenue estimates, not making the KDOT repayment (\$94.6 million), transferring fee fund balances of \$35.1 million, and stopping selected local demand/revenue transfers (\$48.0 million), all as recommended by Governor Graves.

FY 2003 expenditures reflect amount approved by 2002 Legislature as adjusted by allotments reductions of \$41.5 million in August and \$78.1 million in November for a 3.9 percent reduction to most agencies and the shifting of \$15.4 million in expenditures from FY 2002.

FY 2004 receipts reduced by \$155 million for treating FY 2004 demand transfers as revenue transfers in the same manner as in FY 2003.

FY 2004 expenditures reflect expenditure level necessary to maintain 7.5 percent ending balance.

Known Major Current Year (FY 2003) Supplementals (in millions):

K-12 Education:

General State Aid	\$6.6
Supplemental State Aid (LOB)	22.0
KPERS - School	6.2

SRS and Aging Caseloads 21.7

Total Major Supplementals \$56.5 Not addressed in above profile.

January 7, 2003

To: Legislative Budget Committee

STATE GENERAL FUND (SGF) RECEIPTS July through December, 2002

This is the second monthly report based on the revised estimate of the SGF receipts in FY 2003 made by the Consensus Estimating Group on November 5, 2002. The figures in both the "Estimate" and "Actual" columns under FY 2003 on the following table include actual amounts received in July-October. Thus, the report essentially deals with the difference between the estimated and actual receipts in November and December.

Total receipts through December of FY 2003 were \$22.2 million or 1.1 percent below the estimate. The December year-to-date amount reflects a positive change of \$0.8 million from the November year-to-date amount. Total receipts through November of FY 2003 were \$23.0 million or 1.4 percent below the estimate.

Generally, a comparison of only two months is of little value in identifying a trend for the remainder of the year, as the timing and processing of receipts substantially can affect comparisons of the estimate with actual receipts over such a short period of time. In addition, receipts through the end of January will include sales tax receipts on Christmas business and individual income tax estimated payments due in January. Both of these factors will make the January report more helpful in ascertaining a picture of SGF receipts.

Taxes that **exceeded** the estimate by more than \$1.0 million were: individual income (\$5.3 million), insurance premiums (\$1.1 million), and estate (\$1.0 million). It is interesting to note that December individual income tax receipts exceeded the monthly estimate for that source for the first time since March, 2001 (FY 2001). Concerning estate taxes, a payment of \$3.2 million from a single estate was made in December. Taxes that fell **below** the estimate by more than \$1.0 million were: corporate income (\$20.6 million), compensating use (\$5.9 million), retail sales (\$5.3 million), and financial institutions privilege (\$1.9 million). Corporation income tax receipts for the month were 45.7 percent below the estimate and 24.5 percent below the same period last year. In addition, corporation income tax refunds were higher than anticipated for the month.

Interest earnings exceeded the estimate by \$0.4 million while agency earnings fell below the estimate by \$0.5 million. Net transfers out of the SGF were \$3.1 million less than the estimate. Two separate events impacted the net transfer amounts out of the SGF. The estimate assumed that in December an amount of \$16.7 million would be transferred from the SGF to the County-City Revenue Sharing Fund. Because of Governor Graves' allotment of SGF expenditures in November, 2002, the December revenue transfer to the County-City Revenue Sharing Fund was not made. The December estimate also assumed that the SGF

*Senate Ways and Means
1-14-03
Attachment 3*

would receive \$11.5 million in a transfer from the Kansas Endowment for Youth Fund (tobacco proceeds). As of the end of December, that transfer had not been made. These two items partially cancel each other, in terms of impacting total December SGF transfers.

Total SGF receipts through December of FY 2003 were \$69.8 million or 3.7 percent above FY 2002 for the same period. **Tax receipts only for the same period exceeded FY 2002 by \$77.6 million or 4.0 percent.** Retail sales taxes increased by \$52.4 million and cigarette taxes by \$40.0 million when comparing this period to the same period in FY 2002. However, both of those sources in FY 2003 reflect an increase in tax rates. Sales taxes from 4.9 percent to 5.3 percent and a cigarette tax increase of \$0.46 per pack, from \$0.24 per pack to \$0.70 per pack. On the other hand, it is noteworthy that compensating use taxes were \$14.8 million below fiscal-year-to-date collections from FY 2002, notwithstanding the 4.9 to 5.3 percent rate increase.

This report excludes the July 1 deposit to the SGF of \$450.0 million pursuant to issuance of a certificate of indebtedness. This certificate will be discharged prior to the end of the fiscal year.

STATE GENERAL FUND RECEIPTS
July-Dec, FY 2003
(dollar amounts in thousands)

	Actual FY 2002	FY 2003			Percent Increase-- FY 2003 Over	
		Estimate*	Actual	Difference	FY 2002	Estimate
Property Tax:						
Motor Carriers	\$ 10,786	\$ 9,500	\$ 9,968	\$ 468	(7.6) %	4.9 %
Income Taxes:						
Individual	\$ 867,927	\$ 858,000	\$ 863,331	\$ 5,331	(0.5) %	0.6 %
Corporation	32,374	45,000	24,438	(20,562)	(24.5)	(45.7)
Financial Inst.	11,494	14,000	12,051	(1,949)	4.8	(13.9)
Total	\$ 911,796	\$ 917,000	\$ 899,820	\$ (17,180)	(1.3) %	(1.9) %
Estate/Inher Tax	\$ 30,575	\$ 26,900	\$ 27,939	\$ 1,039	(8.6) %	3.9 %
Excise Taxes:						
Retail Sales	\$ 742,267	\$ 800,000	\$ 794,711	\$ (5,289)	7.1 %	(0.7) %
Comp. Use	121,436	112,500	106,628	(5,872)	(12.2)	(5.2)
Cigarette	24,695	65,100	64,703	(397)	162.0	(0.6)
Tobacco Prod.	2,149	2,300	2,290	(10)	6.6	(0.4)
Cereal Malt Bev.	1,245	1,285	1,188	(97)	(4.6)	(7.5)
Liquor Gallonage	7,332	7,775	7,589	(186)	3.5	(2.4)
Liquor Enforce.	18,100	18,700	19,102	402	5.5	2.1
Liquor Dr. Places	3,190	3,275	3,316	41	3.9	1.3
Corp. Franchise	6,147	8,400	8,200	(200)	33.4	(2.4)
Severance	31,452	29,850	30,542	692	(2.9)	2.3
Gas	23,519	21,600	22,157	557	(5.8)	2.6
Oil	7,933	8,250	8,384	134	5.7	1.6
Total	\$ 958,012	\$ 1,049,185	\$ 1,038,268	\$ (10,917)	8.4 %	(1.0) %
Other Taxes:						
Insurance Prem.	\$ 23,365	\$ 33,500	\$ 34,554	\$ 1,054	47.9 %	3.1 %
Miscellaneous	520	1,675	2,073	398	298.7	23.8
Total	\$ 23,885	\$ 35,175	\$ 36,627	\$ 1,452	53.3 %	4.1 %
Total Taxes	\$ 1,935,054	\$ 2,037,760	\$ 2,012,623	\$ (25,137)	4.0 %	(1.2) %
Other Revenue:						
Interest	\$ 25,434	\$ 10,100	\$ 10,498	\$ 398	(58.7) %	3.9 %
Transfers (net)	(78,580)	(73,370)	(70,310)	3,060	(10.5)	4.2
Agency Earnings and Misc.	28,997	28,350	27,858	(492)	(3.9)	(1.7)
Total	\$ (24,150)	\$ (34,920)	\$ (31,955)	\$ 2,965	32.3 %	8.5 %
TOTAL RECEIPTS	\$ 1,910,904	\$ 2,002,840	\$ 1,980,669	\$ (22,171)	3.7 %	(1.1) %

* Consensus estimate as of November 5, 2002.

(Excludes \$450 million to SGF due to issuance of certificates of indebtedness.)

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

STATE OF KANSAS



DIVISION OF THE BUDGET
State Capitol Building, Room 152-E
Topeka, Kansas 66612-1575
(785) 296-2436
FAX (785) 296-0231
<http://da.state.ks.us/hudget>

Bill Graves
Governor

Duane A. Coossen
Director

December 9, 2002

To: Governor Bill Graves, Governor-Elect Sebelius, and the Legislative Budget Committee
From: The Kansas Division of the Budget and the Kansas Legislative Research Department
Re: State General Fund Receipts for FY 2003 (Revised) and FY 2004

Estimates for the State General Fund are developed using a consensus process that involves the Division of the Budget, the Legislative Research Department, 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, 2002, to revise the FY 2003 estimate and to develop the first estimate for FY 2004.

The FY 2003 estimate was decreased by \$363.5 million, or 8.0 percent, from the previous estimate (made in March and subsequently adjusted for legislation). The overall revised State General Fund estimate of \$4.152 billion is 1.1 percent above final FY 2002 receipts. The initial estimate for FY 2004 is \$4.526 billion, which is \$373.6 million, or 9.0 percent, above the newly revised FY 2003 figure. The FY 2004 estimate does not subtract any demand transfers converted to revenue transfers, while the FY 2003 estimate subtracts \$144.9 million in demand transfers that were converted to revenue transfers. If transfers had been treated in a similar fashion in both years, the FY 2004 growth rate would have been 5.3 percent.

Detailed information regarding the specific sources of revenue constituting total receipts is presented in Table 1. Table 2 compares the FY 2003 estimate developed last spring with the recently revised estimate. Table 3 compares the revised FY 2003 estimate to the FY 2004 estimate.

Senate Ways and Means
1-14-03
Attachment 4

Economic Forecast for Kansas

The Kansas economy is expected to realize modest growth during the latter part of calendar year 2003. It is anticipated that the state's economy will mirror the national economy, except that the state's recovery probably will lag behind the national economy by several quarters. Several key factors that affected the consensus estimates include a slower than expected recovery from the mild recession, limited capital investments by businesses, increasing unemployment, and dampening retail sales.

The national economy is expected to strengthen over the next two years. Nominal Gross Domestic Product (GDP) is expected to grow by 5.4 percent in 2003 and by 6.1 percent in 2004, while real GDP is expected to grow by 3.0 percent and 3.7 percent, respectively. U.S. personal income also is expected to increase. The growth is anticipated to be 4.8 percent in 2003 and 5.4 in 2004. A listing of the key economic indicators are shown in the following table:

Key Economic Indicators

	2001	2002	2003	2004
Consumer Price Index for All Urban Consumers	2.8 %	1.7 %	2.5 %	2.7 %
Real U.S. Gross Domestic Product	0.3	2.5	3.0	3.7
Nominal U.S. Gross Domestic Product	2.6	3.7	5.4	6.1
Nominal U.S. Personal Income	3.3	3.2	4.8	5.4
Corporate Profits before Taxes	-7.7	-3.0	13.0	10.0
Nominal Kansas Gross State Product	2.5	3.4	5.0	5.6
Nominal Kansas Personal Income:				
Dollars in millions	\$76,976	\$79,360	\$82,812	\$87,200
Percentage Change	3.8 %	3.1 %	4.3 %	5.3 %
Nominal Kansas Disposable Income:				
Dollars in millions	\$66,307	\$68,777	\$71,769	\$75,239
Percentage Change	4.0 %	3.7 %	4.3 %	4.8 %
Nominal Kansas Spendable Income:				
Dollars in millions	\$71,752	\$74,044	\$77,384	\$82,073
Percentage Change	3.7 %	3.2 %	4.5 %	6.1 %
Nominal Kansas Taxable Income:				
Dollars in millions	\$65,024	\$66,834	\$70,020	\$74,071
Percentage Change	3.1 %	2.8 %	4.8 %	5.8 %
Interest Rate for State General Fund <i>(based on fiscal year)</i>	5.96	2.75	1.99	2.92
Kansas Unemployment Rate <i>(based on fiscal year)</i>	4.1	4.4	4.4	4.2

Inflation Rate

In 2001, the rate of inflation, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), was 2.8 percent. The inflation rate in 2002 is expected to be lower at 1.7 percent. The rate is anticipated to be slightly higher during the following two years with expected rates of 2.5 percent in 2003 and to 2.7 percent in 2004.

Kansas Personal Income

Kansas Personal Income (KPI) grew by 3.8 percent in 2001 and is expected to complete 2002 at the lower growth rate of 3.1 percent. The KPI growth rate is expected to be 4.3 percent in 2003 and 5.3 percent in 2004.

Interest Rates

The Pooled Money Investment Board is authorized to make investments in US Treasury and agency securities, highly rated commercial paper, repurchase agreements and certificates of deposit of Kansas banks. In FY 2002, the state earned 2.75 percent on its State General Fund portfolio. The average rate of return forecasted for FY 2003 is 1.99 percent. For FY 2003, the forecasted rate is 2.92 percent.

Employment

Labor market statistics indicate that unemployment in Kansas is up, but experts believe that the outlook is not bleak. The statewide unemployment rate for FY 2002 is expected to be 4.4 percent, which is an increase over the 4.1 percent level in FY 2001. The latest statistics indicate that Kansas unemployment is still below the national rate of 5.6 percent (September 2002) and that a large part of the state is below 4.0 percent unemployment. However, the main metropolitan areas are forcing the rate upward. The overall Kansas unemployment rate for FY 2003 is expected to be 4.4 percent then decrease to 4.2 percent in FY 2004.

Agriculture

The All Farm Products Index of Prices received by Kansas farmers was 104 in September, compared with 92 a year ago. The monthly average prices farmers received for wheat, corn, sorghum, and soybeans were mostly stable the first six months of 2002, then as the drought intensified, the prices began to increase. Using current forecasts for 2002 production and the projected prices released by the USDA in October, the value of production for the four major crops in Kansas likely will be down 2.0 to 3.0 percent from last year's levels.

Net farm income in Kansas decreased 2.0 percent from \$974.5 million to \$958.2 million in 2001. For this same period, the national net farm income decreased by 5.0 percent. Economic Research Service figures show that net farm income will continue to drop because of low livestock

prices. Cattle marketings through September are running 7.0 percent above last year, but prices remain well below last year's levels. Hog prices also are below a year ago. Another factor that is expected to decrease farm income is federal relief, which is not expected to be as significant as last year because crop prices are above the levels needed for deficiency payments to be triggered.

Oil and Gas

The average price per taxable barrel of Kansas crude oil is estimated to be \$26 in FY 2003 and to decrease to \$24 in FY 2004. Gross oil production in Kansas, which has been declining steadily for the last decade, is expected to continue to decline throughout the forecast period. Production is estimated to be 32.5 million barrels in FY 2003 and 32.0 million barrels in FY 2004.

The price of natural gas is expected to increase from the FY 2002 level of \$2.45 per mcf to \$3.05 per mcf in FY 2003 and then to \$3.40 per mcf in FY 2004. Natural gas production in FY 2002 was 468.0 million cubic feet. Production is expected to continue to decline for the foreseeable future as natural gas reserves, especially those in the Hugoton field, are depleted. The forecast is for 430.0 million cubic feet in FY 2003 and 395.0 million cubic feet in FY 2004.

Accounts Receivable

During the 2001 Legislative Session, the Department of Revenue received the resources and the authority to enhance its collection efforts on past due tax payments. The Department began implementation in July 2001, and was at full capacity by January 2002. Enhanced collections for FY 2002 totaled \$67.5 million, of which \$55.66 was credited to the State General Fund. The Department anticipates that enhanced collections efforts will yield \$37.6 million to the State General Fund for FY 2003 and FY 2004. In FY 2005, enhanced collection efforts are expected to yield \$27.1 million to the State General Fund. The additional revenues assumed attributable to this effort are spread by source in the current estimates for FY 2003 and FY 2004 as follows:

Enhanced "Accounts Receivable" Collections by Source *(Dollars in Thousands)*

	FY 2003 & FY 2004
<u>State General Fund Accounts Receivable:</u>	
Sales & Use	\$13,178.3
Corporate Income	4,252.1
Individual Income	14,655.9
Drug	3,891.1
Liquor	739.8
Cigarette	758.5
Miscellaneous	132.7
	\$37,608.5
Total State General Fund	\$37,608.5

	<u>FY 2003 & FY 2004</u>
<u>Other Accounts Receivable:</u>	
Local Sales	\$ 4,392.8
Motor Fuel	895.8
Motor Carrier	5,848.9
Liquor	605.3
Miscellaneous*	398.2
	<hr/>
Total Other Funds	\$12,141.0
	<hr/>
Total SGF & Other Collections	\$49,749.5

**Includes bingo, illegal drugs, and transient guest.*

State General Fund Receipts Estimates

Each individual SGF source was reevaluated independently and consideration was given to revised and updated economic forecasts, and year-to-date receipts. Additional information was provided by the Department of Revenue, the Insurance Department, the Secretary of State's Office, the State Treasurer's Office, the Pooled Money Investment Board, and the Kansas Department of Human Resources.

Tax Receipts

FY 2003. Estimated tax receipts for FY 2003 were decreased by \$349.8 million. Individual income tax receipts account for \$234.4 million of the total decrease. The significant reduction to the estimate is based on a weak stock market during 2001, as manifested in decreased capital gains realizations and increased capital losses.

The retail sales tax estimate also was reduced substantially for FY 2003 from \$1,658.9 million to \$1,600.0 million (-\$58.9 million). This reduction was based on slower than expected consumer spending through the first four months of the fiscal year and the expectation that the pattern will continue throughout the rest of the fiscal year.

Likewise, the compensating use tax estimate was reduced by \$66.6 million from \$296.6 million to \$230.0 million. Sources show that 45.0 percent of the compensating use tax is paid by consumers. However, this tax source estimate also was affected by an apparent dramatic slowing of retailers' purchases. Approximately 55.0 percent of compensating use tax receipts are attributable to payments made by out-of-state retailers who sell products in Kansas.

Other tax source estimates that were reduced include motor carrier property tax, estate tax, corporate franchise, and miscellaneous taxes. Motor carrier receipts were reduced by \$4.0 million from \$20.5 million to \$16.5 million because there are 846 fewer carriers and 37,015 fewer operating units that were valued for tax year 2002. Industry experts attribute some of the

reduction in operating units to cyclical factors and the fact that carriers are purchasing fewer new units.

The estate tax estimate was reduced by \$9.0 million from \$64.0 million to \$55.0 million because of timing and administrative issues associated with reinstating the class "C" inheritance tax. Legislative changes made during the 2002 session were estimated to increase receipts by \$15.0 million. However, recent analysis indicates that receipts of the class "C" inheritance tax are not likely to be realized until spring 2003.

Statutory changes also were made to the corporate franchise tax during the 2002 Legislative Session. This source was anticipated to bring in an additional \$18.0 million in receipts. However, the estimate, as adjusted for legislation, of \$35.7 million was reduced by \$7.7 million to \$28.0 million to account for slower than expected receipts during the first quarter of FY 2003.

The remaining reduction was made to miscellaneous tax receipts, which were decreased by \$1.5 million from \$5.0 million to \$3.5 million. During the 2001 Legislative Session, local governments and water districts were granted the ability to "opt out" of paying retail sales taxes. They instead pay fees that are credited as miscellaneous taxes. Originally, the Legislature proposed that this statutory change would not affect State General Fund receipts. However, initial data do not support that proposition.

An increase is expected in insurance premiums in FY 2003. The estimate was increased by \$10.0 million from \$75.0 million to \$85.0 million because the insurance tax credit change recovered an additional \$9.5 million and more premiums were written in FY 2002. In addition, the salary credit has stabilized and normal growth now is expected to be 4.5 to 5.0 percent per year.

Increases were made to estimates for other tax sources. Severance tax receipts are expected to increase \$13.1 million due to higher than expected prices in both oil and natural gas. Corporate income tax receipts are expected to increase slightly (\$2.5 million) as the economy begins to recover and business begin to realize profits. Financial institutions income tax receipts also are expected to increase during FY 2003 (\$4.5 million). In general, excise taxes are expected to increase, as is the case with cigarette taxes and liquor gallonage taxes, or remain steady (cereal malt beverage, liquor enforcement, and liquor drink).

FY 2004. Total State General Fund receipts are estimated to be \$4.53 billion in FY 2004, while tax receipts are estimated to be \$4.45 billion. The total receipts are \$373.6 million or 9.9 percent greater than the newly revised FY 2003 figure. The FY 2004 estimate does not subtract any demand transfers converted to revenue transfers, while the FY 2003 estimate subtracts \$144.9 million in demand transfers that were converted to revenue transfers. If transfers had been treated in a similar fashion in both years, the FY 2004 growth rate would have been 5.3 percent. Modest increases are forecast for the principal State General Fund tax revenue sources in FY 2004 over the FY 2003 levels.

Accuracy of Consensus Revenue Estimates

For 29 years, State General Fund revenue estimates for Kansas have been developed using the consensus revenue estimating process. Besides the three state agencies identified 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, 2002, to discuss estimates and come to a consensus for each fiscal year.

The following table presents estimates compared to actual receipts since FY 1975, the fiscal year for which the current process was initiated. The process involves comparing the adjusted original estimate to actual collections and then the final estimate is compared to actual receipts.

STATE GENERAL FUND ESTIMATES

Fiscal Year	Adjusted Original Estimate*	Adjusted Final Estimate**	Actual Receipts	Difference from:			
				Original Estimate		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	--
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
1999	3,844.7	4,051.9	3,978.4	133.7	3.5	(73.4)	(1.8)
2000	4,204.1	4,161.0	4,203.1	(1.0)	--	42.1	1.0
2001	4,420.7	4,408.7	4,415.0	(5.7)	(0.1)	6.4	0.1
2002	4,595.8	4,320.6	4,108.7	(565.6)	(12.1)	(211.7)	(4.9)

* 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 SGF.

** 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 current federal and state laws and their current interpretation. The group will meet again in April to revise these estimates. Developments which occur between the November and April meetings will be taken into account at that time.

Table 1
Consensus Revenue Estimates for Fiscal Years 2003 and 2004
and FY 2002 Actual Receipts

(Dollars in Thousands)

	FY 2002 (Actual)		FY 2003 (Revised)		FY 2004	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	\$18,067	0.8 %	\$16,500	(8.7) %	\$17,000	3.0 %
Income Taxes:						
Individual	\$1,829,609	(7.5)	\$1,845,000	0.8	\$1,920,000	4.1
Corporation	93,958	(55.7)	125,000	33.0	140,000	12.0
Financial Inst.	27,919	12.5	29,500	5.7	31,000	5.1
Total	\$1,951,486	(11.9) %	\$1,999,500	2.5 %	\$2,091,000	4.6 %
Estate Tax	\$48,083	16.7 %	\$55,000	14.4 %	\$60,000	9.1 %
Excise Taxes:						
Retail Sales	\$1,470,599	3.3 %	\$1,600,000	8.8 %	\$1,640,000	2.5 %
Compensating Use	233,764	(0.9)	230,000	(1.6)	240,000	4.3
Cigarette	48,041	(1.5)	132,000	174.8	145,000	9.8
Tobacco Product	4,301	5.1	4,600	7.0	4,900	6.5
Cereal Malt Beverage	2,378	(4.5)	2,700	13.5	2,700	--
Liquor Gallonage	14,632	1.0	15,300	4.6	15,500	1.3
Liquor Enforcement	37,423	5.9	39,000	4.2	40,000	2.6
Liquor Drink	6,615	6.0	7,100	7.3	7,400	4.2
Corporate Franchise	18,495	9.3	28,000	51.4	30,000	7.1
Severance	55,682	(45.2)	65,600	17.8	66,500	1.4
Gas	41,789	(52.1)	48,300	15.6	49,800	3.1
Oil	13,893	(2.3)	17,300	24.5	16,700	(3.5)
Total	\$1,891,930	0.2 %	\$2,124,300	12.3 %	\$2,192,000	3.2 %
Other Taxes:						
Insurance Premium	\$84,951	25.5 %	\$85,000	0.1 %	\$85,000	-- %
Miscellaneous	1,956	(7.4)	3,500	78.9	3,500	--
Total	\$86,907	24.5 %	\$88,500	1.8 %	\$88,500	-- %
Total Taxes	\$3,996,473	(5.6) %	\$4,283,800	7.2 %	\$4,448,500	3.8 %
Other Revenues:						
Interest	\$38,820	(51.6) %	\$17,000	(56.2) %	\$11,000	(35.3) %
Net Transfers	21,840	n/a	(202,953)	n/a	11,267	n/a
Demand to Revenue Transfers	--	--	(144,916)	n/a	--	n/a
Other Transfers	21,840	n/a	(58,037)	n/a *	11,267	n/a
Agency Earnings	51,187	18.5	54,200	5.9	54,900	1.3
Total Other Revenue	\$111,847	(39.0) %	(\$131,753)	(217.8) %	\$77,167	(158.6) %
Total Receipts	\$4,108,320	(6.9) %	\$4,152,047	1.1 %	\$4,525,667	9.0 %

*In FY 2003, the estimate reflects an additional \$144.912 million in transfers to the State General Fund. Legislation for these transfers is contained in SB 517 from the 2002 Legislative Session.

Table 2
State General Fund Receipts
FY 2003 Revised
Comparison of CRE Estimate Adjusted for Legislation to FY 2003 Revised Estimate
(Dollars in Thousands)

	FY 2003 CRE Est. as Adj. for Legis.	FY 2003 Estimate Revised 11/05/02	Difference	
			Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$20,500	\$16,500	(\$4,000)	(19.5) %
Income Taxes:				
Individual	\$2,079,350	\$1,845,000	(\$234,350)	(11.3) %
Corporation	122,470	125,000	2,530	2.1
Financial Inst.	25,000	29,500	4,500	18.0
Total	\$2,226,820	\$1,999,500	(\$227,320)	(10.2) %
Estate Tax	\$64,000	\$55,000	(\$9,000)	(14.1) %
Excise Taxes:				
Retail Sales	\$1,658,899	\$1,600,000	(58,899)	(3.6) %
Compensating Use	296,551	230,000	(66,551)	(22.4)
Cigarette	130,618	132,000	1,382	1.1
Tobacco Product	4,300	4,600	300	7.0
Cereal Malt Beverage	2,700	2,700	--	--
Liquor Gallonage	14,900	15,300	400	2.7
Liquor Enforcement	39,000	39,000	--	--
Liquor Drink	7,100	7,100	--	--
Corporate Franchise	35,700	28,000	(7,700)	(21.6)
Severance	52,500	65,600	13,100	25.0
Gas	38,300	48,300	10,000	26.1
Oil	14,200	17,300	3,100	21.8
Total	\$2,242,268	\$2,124,300	(\$117,968)	(5.3) %
Other Taxes:				
Insurance Premium	\$75,000	\$85,000	\$10,000	13.3 %
Miscellaneous	5,000	3,500	(1,500)	(30.0)
Total	\$80,000	\$88,500	\$8,500	10.6 %
Total Taxes	\$4,633,588	\$4,283,800	(\$349,788)	(7.5) %
Other Revenues:				
Interest	\$24,000	\$17,000	(\$7,000)	(29.2) %
Net Transfers	(195,398)	(202,953)	(7,555)	3.9
Demand to Revenue Transfers	--	(144,916)	(144,916)	n/a
Other Transfers	(195,398)	(58,037)	137,361	(70.3)
Agency Earnings	53,311	54,200	889	1.7
Total Other Revenue	(\$118,087)	(\$131,753)	(\$13,666)	11.6 %
Total Receipts	\$4,515,501	\$4,152,047	(\$363,454)	(8.0) %

Table 3
State General Fund Receipts
FY 2004
Comparison of the Revised FY 2003 CRE Estimate to FY 2004 Estimate
(Dollars in Thousands)

	FY 2003 Estimate Revised 11/05/02	FY 2004 Estimate	Difference	
			Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$16,500	\$17,000	\$500	3.0 %
Income Taxes:				
Individual	\$1,845,000	\$1,920,000	\$75,000	4.1 %
Corporation	125,000	140,000	15,000	12.0
Financial Inst.	29,500	31,000	1,500	5.1
Total	\$1,999,500	\$2,091,000	\$91,500	4.6 %
Estate Tax	\$55,000	\$60,000	\$5,000	9.1 %
Excise Taxes:				
Retail Sales	\$1,600,000	\$1,640,000	\$40,000	2.5 %
Compensating Use	230,000	240,000	10,000	4.3
Cigarette	132,000	145,000	13,000	9.8
Tobacco Product	4,600	4,900	300	6.5
Cereal Malt Beverage	2,700	2,700	--	--
Liquor Gallonage	15,300	15,500	200	1.3
Liquor Enforcement	39,000	40,000	1,000	2.6
Liquor Drink	7,100	7,400	300	4.2
Corporate Franchise	28,000	30,000	2,000	7.1
Severance	65,600	66,500	900	1.4
Gas	48,300	49,800	1,500	3.1
Oil	17,300	16,700	(600)	(3.5)
Total	\$2,124,300	\$2,192,000	\$67,700	3.2 %
Other Taxes:				
Insurance Premium	\$85,000	\$85,000	\$ --	-- %
Miscellaneous	3,500	3,500	--	--
Total	\$88,500	\$88,500	\$ --	-- %
Total Taxes	\$4,283,800	\$4,448,500	\$164,700	3.8 %
Other Revenues:				
Interest	\$17,000	\$11,000	(\$6,000)	(35.3) %
Net Transfers	(202,953)	11,267	214,220	(105.6)
Demand to Revenue	(144,916)	--	144,916	n/a
Other Transfers	(58,037)	11,267	69,304	(119.4)
Agency Earnings	54,200	54,900	700	1.3
Total Other Revenue	(\$131,753)	\$77,167	\$208,920	(158.6) %
Total Receipts	\$4,152,047	\$4,525,667	\$373,620	9.0 %