

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on January 13, 2005 in Room 519-S of the Capitol.

Committee members absent: Representative Goico - excused
Representative Siegfried - excused

Committee staff present: Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes
Richard Cram, Department of Revenue
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:
Representative Bob Bethell, Legislator
Mike Taylor, Unified Government Wyandotte County
Representative Brunk, Legislator

Others attending:
See attached list.

The Chairman opened the floor for bill introductions.

Representative Bethell requested a bill be introduced concerning *salvage titles on vehicles that have been totaled*. Representative Huff made a motion, that Representative Bethell's request be introduced as a committee bill, seconded by Representative Owens and the motion carried.

Mike Taylor, Public Relations Director, Unified Government Wyandotte County requested a bill introduction concerning *the collection of delinquent taxes*. Representative Dillmore made a motion that Mr. Taylor's request be introduced as a committee bill, seconded by Representative Hill and the motion carried.

Representative Brunk requested and made a motion that a committee bill be introduced for a special sales tax, limited to Sedgewick county, for purposes of erecting a downtown arena. It was seconded by Representative Dillmore and the motion carried.

The Chairman opened the briefing on the "Consensus Revenue Estimating Process", adding that it is a very important function comprised of multiple processes regarding building the annual budget. Chris Courtwright distributed a packet of information for discussion (Attachment 1) and started by defining "consensus" as unanimity of opinion. Many states have followed Kansas, using this model process in the last two decades. He compared the state budget process to that used in Washington D.C.

Highlights of his briefing included explanations of:

- State General Fund Receipts FY 2004
- Time line of meetings to determine budget estimates
- Consensus Revenue Estimating Process is made up of the following procedures and rules
 - A. Economic Outlook based on six indicators
 1. Agricultural Outlook - Agricultural Statistics
 2. Employment Outlook - Department of Labor
 3. Oil and Gas Outlook - Industry Sources
 4. Aircraft Sector Outlook - Wichita State Consulting Economist
 5. Kansas Personal Income Forecasts - KU and K-State Consulting Economists
 6. CPI -U (Inflation) Forecasts - KU and K-State Consulting Economists

B. Preparation by Six Different Independent Sets of Estimates

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on January 13, 2005 in Room 519-S of the Capitol.

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)

C. Confidentiality in Terms of Individual Estimates

D. Qualified Unanimity

Reached after all parties negotiate an agreement on every source estimate

E. Final Product

Supported by all parties under all circumstances. The Governor is required to use the figures submitted by this budget process.

The meeting adjourned at 10:25 a.m. The next meeting is January 18, 2005.

HOUSE TAXATION COMMITTEE GUEST LIST

DATE: January 13, 2005

NAME	REPRESENTING
Whitney Damron	KS Automobile Dealers Assn.
Josh Bender	Intern. Rep. Betty //
Don McNEELY	KS Automobile Dealers Assn
LARRY R BAKER	LKM
Yvon Duckus	DOB
Cheri Anatschners	DOB
Richard Cram	KDOR
Adam Azeltine	Intern Rep. Kelley
Jeanne Goodwin	City of Wichita
Allie Davis	Ks. Livestock Assoc.
Michelle Peterson	Ks. Governmental Consulting
Michael White	Keeney & Assoc.
Erik Santorius	City of Overland Park
Harriet Lange	Ks Assn of Broadcasters
Mike Taylor	Unif. Govt Wynwite Co.
Ryan Morrow	Legislative Intern Rep Kirk
Karl Peterjohu	Kansas Taxpayers Network

* 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

* 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

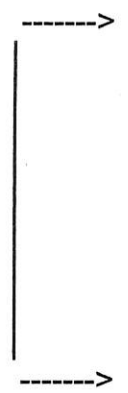
Is Reached After All Parties Negotiate an Agreement on Every Source Estimate

* FINAL PRODUCT

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

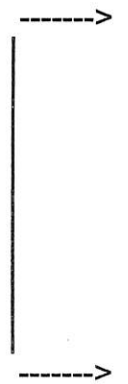
Last day of FY 04	First day of FY 05	(2005 Legislature convenes early January thru early May)				Last day of FY 05
June 30 2004	July 1 2004	October 2004	November 2004	April 2005	May 2005	June 30 2005

FY 2004



Final FY 04 receipts compared with final April est of receipts as adjusted in May for subsequent legislation

FY 2005



Economic outlook meeting estimates key Kansas indicators

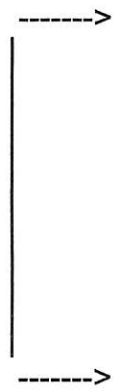
Estimate for FY 2005 is made for 3rd time by estimators (4th time if altered by 2004 laws)

Estimate for FY 2005 is made for 4th time by estimators (5th time if altered by 2004 laws)

Est for FY 2005 may be adjusted (6th time) to reflect May 05 legislation

Final FY 05 receipts compared with final April est of receipts as adjusted in May for subsequent legislation

FY 2006



Economic outlook meeting estimates key Kansas indicators

First est is made of FY 2006 receipts

Second est is made of FY 2006 receipts

Est for FY 2006 may be adjusted (3rd time) to reflect May 05 legislation

First day
of FY 06

(2006 Legislature convenes
early January thru early May)

Last day
of FY 06

July 1
2005

October
2005

November
2005

April
2006

May
2006

June 30
2006

1-3

FY 2006



Economic
outlook
meeting
estimates
key
Kansas
indicators

Estimate for
FY 2006 is
made for
3rd time by
estimators
(4th time if
altered by
2005 laws)

Estimate for
FY 2006 is
made for
4th time by
estimators
(5th time if
altered by
2005 laws)

Est for
FY 2006
may be
adjusted
(6th time)
to reflect
May 06
legislation

Final FY 06
receipts
compared
with final
April est
of receipts
as adjusted
in May for
subsequent
legislation

STATE GENERAL FUND RECEIPTS
FY 2004
(dollar amounts in thousands)

	Actual FY 2003	FY 2004			Percent Increase— FY 2004 Over	
		Estimate*	Actual	Difference	FY 2003	Estimate
Property Tax:						
Motor Carriers	\$ 15,729	\$ 19,000	\$ 19,498	\$ 498	24.0 %	2.6 %
General Property	0	13,600	13,718	118	--	0.9
Motor Vehicle	0	1,500	1,541	41	--	2.7
Total	\$ 15,729	\$ 34,100	\$ 34,757	\$ 657	121.0 %	1.9 %
Income Taxes:						
Individual	\$ 1,750,054	\$ 1,830,000	\$ 1,888,431	\$ 58,431	7.9 %	3.2 %
Corporation	105,222	125,000	141,173	16,173	34.2	12.9
Financial Inst.	31,120	34,000	25,435	(8,565)	(18.3)	(25.2)
Total	\$ 1,886,396	\$ 1,989,000	\$ 2,055,039	\$ 66,039	8.9 %	3.3 %
Estate/Succ. Tax	\$ 46,952	\$ 48,000	\$ 48,064	\$ 64	2.4 %	0.1 %
Excise Taxes:						
Retail Sales	\$ 1,567,722	\$ 1,620,000	\$ 1,612,067	\$ (7,933)	2.8 %	(0.5) %
Comp. Use	225,923	212,000	214,503	2,503	(5.1)	1.2
Cigarette	129,250	120,000	119,789	(211)	(7.3)	(0.2)
Tobacco Prod.	4,510	4,800	4,797	(3)	6.4	(0.1)
Cereal Malt Bev.	2,273	2,200	2,165	(35)	(4.8)	(1.6)
Liquor Gallonage	14,802	15,600	15,843	243	7.0	1.6
Liquor Enforce.	38,833	41,000	40,256	(744)	3.7	(1.8)
Liquor Drink	6,847	7,400	7,154	(246)	4.5	(3.3)
Corp. Franchise	31,090	36,000	36,806	806	18.4	2.2
Severance	72,775	80,600	84,639	4,039	16.3	5.0
Gas	56,261	62,200	66,054	3,854	17.4	6.2
Oil	16,515	18,400	18,587	187	12.5	1.0
Total	\$ 2,094,025	\$ 2,139,600	\$ 2,138,019	\$ (1,581)	2.1 %	(0.1) %
Other Taxes:						
Insurance Prem.	\$ 94,455	\$ 100,000	\$ 106,864	\$ 6,864	13.1 %	6.9 %
Miscellaneous	4,427	4,500	4,387	(113)	(0.9)	(2.5)
Total	\$ 98,882	\$ 104,500	\$ 111,251	\$ 6,751	12.5 %	6.5 %
Total Taxes	\$ 4,141,984	\$ 4,315,200	\$ 4,387,130	\$ 71,930	5.9 %	1.7 %
Other Revenue:						
Interest	\$ 19,075	\$ 14,300	\$ 13,870	\$ (430)	(27.3) %	(3.0) %
Transfers (net)	(13,036)	20,050	16,721	(3,329)	--	(16.6)
Agency Earnings and Misc.	97,556	100,900	101,005	105	3.5	0.1
Total Other Revenue	\$ 103,595	\$ 135,250	\$ 131,596	\$ (3,654)	27.0 %	(2.7) %
TOTAL RECEIPTS	\$ 4,245,579	\$ 4,450,450	\$ 4,518,726	\$ 68,276	6.4 %	1.5 %

* Consensus estimate as of April 20, 2004, as adjusted for 2004 legislation enacted after that date.

NOTES: Details may not add to totals due to rounding. The Certificate of Indebtedness that had been issued for \$450 million was redeemed or "paid back" on June 30, 2004.



KANSAS

DIVISION OF THE BUDGET
DUANE A. GOOSSEN, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

November 4, 2004

To: Governor Kathleen 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 2005 (Revised) and FY 2006

Estimates for the State General Fund are developed using a consensus process that involves the Division of the Budget, the Legislative Research Department, the 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 3, 2004, to revise the FY 2005 estimate and to develop the first estimate for FY 2006.

For FY 2005, the estimate was increased by \$89.2 million, or 2.0 percent, above the previous estimate (made in April and subsequently adjusted for legislation). The overall revised SGF estimate of \$4.631 billion is 2.5 percent above actual FY 2004 receipts. The initial estimate for FY 2006 is \$4.841 billion, which is \$210.0 million, or 4.5 percent, above the newly revised FY 2005 figure. The FY 2006 estimate does not subtract any demand transfers converted to revenue transfers, while the FY 2005 estimate subtracts \$71.8 million in demand transfers that were converted to revenue transfers. If transfers are treated in a similar fashion in both years, the FY 2006 growth would be \$138.2 million, or 2.9 percent.

Detailed information regarding the specific sources of revenue constituting total receipts is presented in Table 1. Table 2 compares the FY 2005 estimate developed last spring with the recently revised estimate. Table 3 compares the revised FY 2005 estimate to the FY 2006 estimate.

Economic Forecast for Kansas

The Kansas economy is expected to continue the trend of subdued, but positive growth through calendar year 2006. Several key factors that affected the consensus estimates include high energy prices; cautious, but increased capital investments by businesses; a lower unemployment rate; an improved agricultural sector; and dampening retail sales.

The national economy is expected to grow at a slower pace over the next two years. Nominal Gross Domestic Product (GDP) is expected to grow by 6.6 percent in 2004; 5.6 percent in 2005; and by 4.8 percent in 2006, while real GDP is expected to grow by 4.4 percent, 3.7 percent, and 3.0 percent, respectively. U.S. personal income also is expected to increase. The growth is anticipated to be 5.3 percent in 2004; 5.0 percent in 2005; and 5.2 in 2006. A listing of the key economic indicators is shown in the following table:

Key Economic Indicators

	2003	2004	2005	2006
Consumer Price Index for All Urban Consumers	2.3 %	2.7 %	2.1 %	2.1 %
Real U.S. Gross Domestic Product	3.0	4.4	3.7	3.0
Nominal U.S. Gross Domestic Product	4.9	6.6	5.6	4.8
Nominal U.S. Personal Income	3.2	5.3	5.0	5.2
Corporate Profits before Taxes	15.0	15.5	38.0	4.0
Nominal Kansas Gross State Product	4.5	5.8	4.8	4.4
Nominal Kansas Personal Income:				
Dollars in millions	\$80,466	\$84,300	\$88,400	\$92,706
Percentage Change		4.8 %	4.9 %	4.9 %
Nominal Kansas Disposable Income:				
Dollars in millions	\$72,451	\$75,500	\$78,500	\$81,500
Percentage Change		4.2 %	4.0 %	3.8 %
Interest Rate for State General Fund <i>(based on fiscal year)</i>	1.63	1.19	2.13	3.09
Kansas Unemployment Rate <i>(based on fiscal year)</i>	5.3	5.1	5.9	5.7

Inflation Rate

In 2003, the rate of inflation, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), was 2.3 percent. The inflation rate in 2004 is expected to be higher at 2.7 percent. The rate is anticipated to drop back to 2.1 percent in 2005 and remain at that level through 2006.

Kansas Personal Income

Kansas Personal Income (KPI) is expected to grow by 4.8 percent in 2004 above 2003. The growth rate is expected to increase to 4.9 percent in 2005 and remain at that level through 2006.

Interest Rates

The Pooled Money Investment Board is authorized to make investments in US Treasury and agency securities; highly rated commercial paper; and repurchase agreements and certificates of deposit of Kansas banks. In FY 2003, the state earned 1.63 percent on its State General Fund portfolio. The average rate of return forecasted for FY 2004 is 1.19 percent. For FY 2005, the forecasted rate is 2.12 percent and 3.09 percent for FY 2006.

Employment

Labor market statistics indicate that unemployment in Kansas is up, but experts believe that the employment outlook generally is improving. The statewide unemployment rate for FY 2003 was 5.3 percent and is expected to drop to 5.1 percent in FY 2004. The latest statistics indicate that Kansas unemployment is still below the national rate of 5.4 percent (September 2004). The overall Kansas unemployment rate for FY 2005 is expected to be 5.9 percent before decreasing to 5.7 percent in FY 2006.

The Kansas Department of Labor stated that the US Department of Labor will be making a significant change to its methodology in 2005. The Kansas Department of Labor anticipates that the change in the way that the unemployment rate is calculated will translate into a higher unemployment rate. Adjustments will be made back to 2000, when the last decennial census was conducted. Experts believe that the unemployment rate will increase by 1.0 percent because of the U.S. Department of Labor's adjustments.

Agriculture

Net farm income in Kansas increased 451.0 percent from \$251.9 million to \$1,386.9 million in 2003. For this same period, the national net farm income increased by 59.0 percent.

The All Farm Products Index of Prices received by Kansas farmers was 105 in September, compared with 112 a year ago. The monthly average prices farmers received for wheat, corn, sorghum, and soybeans were above year ago levels for the first six months of 2003, then began to fall behind year ago prices as it became obvious that row crop production would be excellent. Using current forecasts for 2004 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 5.0 to 10.0 percent from last year's levels. Cattle marketings through September are running 2.1

percent below last year, but prices remain well below last year's levels. Hog prices have been above last year's levels.

Oil and Gas

The average price per taxable barrel of Kansas crude oil is estimated to be \$40 in FY 2005 and to decrease to \$33 in FY 2006. Gross oil production in Kansas is expected to continue to remain steady at 34.0 million barrels throughout the forecast period (FY 2005 and FY 2006).

The price of natural gas is expected to increase from the FY 2004 level of \$4.17 per mcf to \$5.50 per mcf in FY 2005 and then to \$5.00 per mcf in FY 2006. Natural gas production in FY 2004 was 417.6 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 385.0 million cubic feet in FY 2005 and 355.0 million cubic feet in FY 2006.

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 State Treasurer's Office, the Pooled Money Investment Board, and the Kansas Department of Labor.

Tax Receipts

FY 2005. Estimated tax receipts for FY 2005 were increased by \$89.2 million. Individual income tax receipts account for \$60.1 million of the total increase, while severance tax receipts account for \$27.8 million. Corporation income tax receipts also were increased by \$22.0 million. One factor supporting the increase in the individual income tax estimate is that FY 2004 receipts from this source exceeded the final estimate by more than \$58.0 million. Data show that the average balance due increased by \$60 per check over the prior year. In addition, withholding receipts have shown significant growth in the first four months of FY 2005.

Increases to the severance tax are attributable to higher than anticipated energy costs. The war in Iraq, unrest in the Middle East, and the effects of hurricanes in the Gulf of Mexico have caused price increases in both oil and natural gas. Corporation income tax receipts were increased because of the current economic expansion in business investment. This trend is expected to continue through the forecast period.

The retail sales tax estimate was reduced for FY 2005 from \$1,670.9 million to \$1,650.0 million (-\$20.9 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.

Alternatively, the compensating use tax estimate was increased by \$8.7 million from \$224.3 million to \$233.0 million. This tax source estimate was affected by an apparent increase in business purchases.

Other tax source estimates that were increased include motor carrier property tax; estate tax; tobacco products tax; liquor enforcement; and corporate franchise taxes. Motor carrier receipts were increased by \$1.5 million because there are more carriers and operating units that were valued for tax year 2004.

The estate tax estimate was increased by \$1.0 million from \$49.0 million to \$50.0 million. Statutory changes also were made to the corporate franchise tax during the 2004 Legislative Session. Beginning January 1, 2005, collection of the corporate franchise tax will be transferred from the Secretary of State's Office to the Department of Revenue. This tax is assessed against businesses on the basis of \$1.25 per each \$1,000 of net worth. The Secretary of State's Office will continue to collect the corporate franchise fee, which is assessed to all businesses and non-profit organizations. The overall estimate for both sources was increased because the collections for the first four months of FY 2005 have been stronger than expected.

Other sources that are expected to decrease include financial institutions privilege tax receipts and liquor drink tax receipts. The liquor drink receipts were revised downward by \$200,000, while financial institutions income tax receipts were revised downward by \$12.5 million. It is not evident why this source has dropped dramatically. However, the Department of Revenue is investigating the possible causes.

FY 2006. Total State General Fund receipts are estimated to be \$4.84 billion in FY 2006, while tax receipts are estimated to be \$4.68 billion. The total receipts are \$210.0 million, or 4.5 percent greater than the newly revised FY 2005 figure. Tax receipts only for FY 2006 are estimated to increase \$138.0 million, or 3.0 percent.

The FY 2006 estimate does not subtract any demand transfers converted to revenue transfers, while the FY 2005 estimate subtracts \$71.8 million in demand transfers that were converted to revenue transfers. If transfers are treated in a similar fashion in both years, the FY 2006 growth would be \$138.2 million, or 2.9 percent. Modest increases are forecast for the principal State General Fund tax revenue sources in FY 2006 over the FY 2005 levels.

Accuracy of Consensus Revenue Estimates

For 30 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 those involved in the process prepared independent estimates and met on November 3, 2004, to discuss estimates and come to a consensus for each fiscal year.

The table on page 7 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.

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.

ACCURACY OF 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)
2003	4,641.0	4,235.6	4,245.6	(395.4)	(9.3)	9.9	0.2
2004	4,605.5	4,450.0	4,518.7	(56.8)	(1.9)	68.2	1.5

* 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.

Table 1
Consensus Resources Estimates for Fiscal Years 2005 & 2006
and FY 2004 Actual Receipts
(Dollars in Thousands)

	FY 2004 (Actual)		FY 2005 (Revised)		FY 2006	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	\$19,497	24.0 %	\$21,000	7.7 %	\$22,000	4.8 %
Motor Vehicle	\$185	n/app	800	n/app		
Ad Valorem	\$15,258	n/app	1,100	n/app		
Total	\$34,940	122.1 %	\$22,900	(34.5) %	\$22,000	(3.9) %
Income Taxes:						
Individual	\$1,888,434	7.9 %	\$1,960,000	3.8 %	\$2,060,000	5.1 %
Corporation	141,173	34.2	152,000	7.7	155,000	2.0
Financial Inst.	25,435	(18.3)	22,000	(13.5)	22,000	--
Total	\$2,055,042	8.9 %	\$2,134,000	3.8 %	\$2,237,000	4.8 %
Estate Tax	\$48,063	2.4 %	\$50,000	4.0 %	\$51,000	2.0 %
Excise Taxes:						
Retail Sales	\$1,612,067	2.8 %	\$1,650,000	2.4 %	\$1,700,000	3.0 %
Compensating Use	214,502	(5.1)	233,000	8.6	237,000	1.7
Cigarette	119,787	(7.3)	118,000	(1.5)	117,000	(0.8)
Tobacco Products	4,796	6.3	5,000	4.3	5,200	4.0
Cereal Malt Bev.	2,165	(4.8)	2,200	1.6	2,100	(4.5)
Liquor Gallonage	15,843	7.0	16,000	1.0	16,000	--
Liquor Enforcement	40,257	3.7	43,000	6.8	45,000	4.7
Liquor Drink	7,153	4.5	7,500	4.9	7,700	2.7
Corp. Franchise	36,805	18.4	48,000	30.4	45,000	(6.3)
Severance	84,641	16.3	105,400	24.5	88,000	(16.5)
Gas	66,055	17.4	79,100	19.7	66,300	(16.2)
Oil	18,586	12.5	26,300	41.5	21,700	(17.5)
Total	\$2,138,016	2.1 %	\$2,228,100	4.2 %	\$2,263,000	1.6 %
Other Taxes:						
Insurance Prem.	\$107,603	13.9 %	\$100,000	(7.1) %	\$100,000	-- %
Miscellaneous	3,646	(17.6)	4,500	23.4	4,500	--
Total	\$111,249	12.5 %	\$104,500	(6.1) %	\$104,500	-- %
Total Taxes	\$4,387,310	5.9 %	\$4,539,500	3.5 %	\$4,677,500	3.0 %
Other Revenues:						
Interest	\$13,870	(27.3) %	\$25,100	81.0 %	\$40,350	60.8 %
Net Transfers	16,718	(228.2)	(2,700)	(116.2)	65,800	n/app
Demand to Revenue	(62,699)	n/app	(71,800)	n/app	--	(100.0)
Other Transfers	79,417	n/app	69,100	n/app	65,800	(4.8)
Agency Earnings	55,290	6.8	69,000	24.8	57,200	(17.1)
Federal Grants	45,710	n/app	--	n/app	--	n/app
Total	\$131,588	27.0 %	\$91,400	(30.5) %	\$163,350	42.0 %
Total Receipts	\$4,518,898	6.4 %	\$4,630,900	2.5 %	\$4,840,850	4.5 %

Table 2
State General Fund Receipts
FY 2005 Revised
Comparison of November 2004 Estimate to April 2004 Estimate As Adjusted for Legislation
(Dollars in Thousands)

	FY 2005 CRE Est.	FY 2005 CRE Est. Revised 11/03/04	Difference	
	As Adjusted for Legislation after 04/20/04		Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$19,500	\$ 21,000	\$1,500	7.7 %
Motor Vehicle	400	800	400	n/app
Ad Valorem	1,000	1,100	100	n/app
Total	\$20,900	\$ 22,000	\$1,100	5.3 %
Income Taxes:				
Individual	\$1,899,904	\$ 1,960,000	\$60,096	3.2 %
Corporation	130,000	152,000	22,000	16.9
Financial Inst.	34,500	22,000	(12,500)	(36.2)
Total	\$2,064,404	\$ 2,134,000	\$69,596	3.4 %
Estate Tax	\$49,000	\$ 50,000	\$1,000	2.0 %
Excise Taxes:				
Retail Sales	\$1,670,941	\$ 1,650,000	(20,941)	(1.3) %
Compensating Use	224,290	233,000	8,710	3.9
Cigarette	118,000	118,000	--	--
Tobacco Product	4,900	5,000	100	2.0
Cereal Malt Beverage	2,200	2,200	--	--
Liquor Gallonage	16,000	16,000	--	--
Liquor Enforcement	42,000	43,000	1,000	2.4
Liquor Drink	7,700	7,500	(200)	(2.6)
Corporate Franchise	42,300	48,000	5,700	13.5
Severance	77,600	105,400	27,800	35.8
Gas	58,900	79,100	20,200	34.3
Oil	18,700	26,300	7,600	40.6
Total	\$2,205,931	\$ 2,228,100	\$22,169	1.0 %
Other Taxes:				
Insurance Premium	\$100,000	\$ 100,000	\$ --	-- %
Miscellaneous	4,500	4,500	--	--
Total	\$104,500	\$ 104,500	\$ --	-- %
Total Taxes	\$4,444,735	\$ 4,539,500	\$94,765	2.1 %
Other Revenues:				
Interest	\$21,500	\$ 25,100	\$3,600	16.7 %
Net Transfers	11,530	(2,700)	(14,230)	n/app
Demand to Revenue Transfers	(74,600)	(71,800)	2,800	n/app
Other Transfers	86,130	69,100	(17,030)	(19.8)
Agency Earnings	63,956	69,000	5,044	7.9
Federal Grants	--	--	--	--
Total Other Revenue	\$96,986	\$ 91,400	(\$5,586)	(5.8) %
Total Receipts	\$4,541,721	\$ 4,630,900	\$89,179	2.0 %

Table 3
State General Fund Receipts
FY 2006
Comparison of Revised FY 2005 CRE Estimate to Initial FY 2006 Estimate
(Dollars in Thousands)

	FY 2005 CRE		Difference	
	Est. Revised	FY 2006 CRE Est.	Amount	Pct. Chg.
	11/03/04	11/03/04		
Property Tax:				
Motor Carrier	\$21,000	\$ 22,000	\$1,000	4.8 %
Motor Vehicle	800	--	(800)	n/app
Ad Valorem	1,100	--	(1,100)	n/app
Total	\$22,900	\$ 22,000	(\$900)	(3.9)
Income Taxes:				
Individual	\$1,960,000	\$ 2,060,000	\$100,000	5.1 %
Corporation	152,000	155,000	3,000	2.0
Financial Inst.	22,000	22,000	--	--
Total	\$2,134,000	\$ 2,237,000	\$103,000	4.8 %
Estate Tax	\$50,000	\$ 51,000	\$1,000	2.0 %
Excise Taxes:				
Retail Sales	\$1,650,000	\$ 1,700,000	50,000)	3.0 %
Compensating Use	233,000	237,000	4,000	1.7
Cigarette	118,000	117,000	(1,000)	(0.8)
Tobacco Product	5,000	5,200	200	4.0
Cereal Malt Beverage	2,200	2,100	(100)	(4.5)
Liquor Gallonage	16,000	16,000	--	--
Liquor Enforcement	43,000	45,000	2,000	4.7
Liquor Drink	7,500	7,700	200	2.7
Corporate Franchise	48,000	45,000	(3,000)	(6.3)
Severance	105,400	88,000	(17,400)	(16.5)
Gas	79,100	66,300	(12,800)	(16.2)
Oil	26,300	21,700	(4,600)	(17.5)
Total	\$2,228,100	\$ 2,263,000	\$34,900	1.6 %
Other Taxes:				
Insurance Premium	\$100,000	\$ 100,000	\$ --	-- %
Miscellaneous	4,500	4,500	--	--
Total	\$104,500	\$ 104,500	\$ --	-- %
Total Taxes	\$4,539,500	\$ 4,677,500	\$138,000	3.0 %
Other Revenues:				
Interest	\$25,100	\$ 40,350	\$15,250	60.8 %
Net Transfers	(2,700)	65,800	68,500	n/app
Demand to Revenue Transfers	(71,800)	--	71,800	(100.0)
Other Transfers	69,100	65,800	(3,300)	(4.8)
Agency Earnings	69,000	57,200	(11,800)	(17.1)
Federal Grants	--	--	--	--
Total Other Revenue	\$91,400	\$ 163,350	\$71,950	78.7 %
Total Receipts	\$4,630,900	\$ 4,840,850	\$209,950	4.5 %

May 21, 2004

To: Governor Kathleen Sebelius and Legislative Budget Committee
From: Chris W. Courtwright, Principal Economist
Re: Legislative Adjustments to Consensus Estimates for FY 2004 and FY 2005

Pursuant to KSA 75-6701, the Legislative Research Department and Division of the Budget have adjusted the most recent estimates of State General Fund (SGF) receipts for FY 2004 and FY 2005. These adjustments reflect the fiscal impact of legislation involving receipts to the SGF enacted during the 2004 Legislative Session subsequent to the Consensus Revenue Estimate made on April 20, 2004. The attached tables show changes by source and incorporate those changes into the overall estimate for the fiscal year. FY 2004 receipts were increased by \$0.150 million relative to the April estimate, attributable entirely to a change in transfers. FY 2005 receipts were decreased by \$0.679 million below the April estimate. The net adjustment for both fiscal years combined is a reduction of \$0.529 million.

The estimated impact of a new federal law has **not** been included in these revisions, which by law are to include only those changes attributable to Kansas legislation. The Department of Revenue has indicated that the exemption from state taxation for certain telecommunications services used to provide Internet access, one provision of the new federal law, will be expected to **reduce SGF sales tax receipts by an additional \$10 million in FY 2005** relative to the adjusted estimate contained in this document.

An additional section also has been added to this report discussing the implications for SGF receipts for FY 2006 and subsequent years relative to Kansas legislation enacted prior to April 20 (in some cases, several years before) as well as during the veto session.

The Consensus Group will meet again prior to December 4 to consider revisions to the newly adjusted FY 2005 estimate and to make an initial estimate for FY 2006.

FY 2004

Net SGF transfers were increased by \$0.150 million pursuant to an increase in transfers from the Insurance Department Service Regulation Fund enacted in the omnibus bill (S Sub HB 2471).

FY 2005

The following FY 2005 adjustments were made:

- House Sub. SB 147 provided for a number of new sales tax exemptions, effective January 1, 2005, which will collectively reduce receipts by \$5.369 million for the balance of the fiscal year. One of the exemptions for certain aircraft repair and replacement parts, which is expected to reduce receipts by \$0.7 million, is expected to reduce sales and compensating use tax receipts by \$0.35 million

each. Filing deceleration provisions also will reduce receipts by an additional \$1.8 million, with \$1.44 million attributable to the sales tax and \$0.36 million attributable to the use tax. A change in the tax treatment of certain isolated and occasional sales of motor vehicles is estimated to increase receipts by \$2.0 million. The net adjustment to sales and use tax receipts is therefore a reduction of \$5.169 million. Income tax provisions relating to estimated tax penalties and Homestead property tax refunds are expected to reduce receipts by \$0.196 million. Finally, changes in franchise taxes are expected to increase total franchise tax and fee receipts by \$5.3 million.

- Senate Sub. HB 2471, the omnibus bill, also decreased the estimate for net transfers by \$0.170 million. Transfers from the Insurance Department Service Regulation Fund were increased by \$0.080 million; but additional transfers for the Emergency Medical Services Education Incentive Project and the Military Emergency Relief Fund of \$0.200 million and \$0.050 million, respectively, were enacted in the same bill.
- One provision of S Sub HB 2375, which requires the suspension or revocation of vehicle dealers' licenses when such dealers are delinquent in sales or withholding taxes for three consecutive months, is expected to increase receipts by \$0.5 million (\$0.4 million in sales tax receipts and \$0.1 million in individual income taxes).
- SB 552 reduced the amount of agency earnings for the SGF by \$0.944 million pursuant to a provision that increased the amount of certain fines and forfeitures earmarked instead for the Crime Victims' Compensation Fund.

One other bill may affect FY 2005 receipts, but its impact was not quantifiable.

- HB 2682, which provides a number of requirements for individuals and companies selling cigarettes over the Internet, telephone, or by any other type of mail-order transaction, could provide for slight but unspecified increases in cigarette, sales, and use tax revenues.

FY 2006 and Thereafter

Several other bills are expected to have an impact on SGF receipts, but the provisions are not effective until after the end of the current consensus estimates (FY 2005).

- Learning Quest Program Expansion. HB 2795 includes a significant expansion of the state income tax deduction associated with the Learning Quest (Internal Revenue Code section 529) education savings program. Starting in tax year 2005, the maximum income tax deduction for qualifying contributions is increased from \$2,000 to \$3,000 for each beneficiary of a single individual income taxpayer; and from \$4,000 to \$6,000 for each beneficiary of joint filers. Receipts in FY 2006 are expected to be reduced by \$2.0 million as a result of this provision.
- Deduction for Certain Premiums. HB 2545 allows in the determination of Kansas adjusted gross income for tax year 2005 a deduction from federal adjusted gross income of up to \$500 for certain long term care insurance premiums. The amount of the maximum deduction then increases to \$1,000 over the next five tax years. The estimated reduction in SGF receipts is \$1.4 million in FY 2006; \$1.7

million in FY 2007; \$1.9 million in FY 2008; \$2.2 million in FY 2009; \$2.5 million in FY 2010; and \$2.8 million in FY 2011 and thereafter.

- Less Sales/Use Tax to SGF. SB 384 reduces the SGF's share of the 5.3 percent sales and use taxes from the current 95.28 percent to 92.83 percent in FY 2007; and 87.74 percent in FY 2008 and thereafter. Even after accounting for the fact that the legislation also maintained the tax rate at 5.3 percent on and after July 1, 2006 (when it had been scheduled to be reduced to 5.0 percent), SGF receipts will be reduced by about \$117.4 million for the FY 2007-FY 2011 period as a result of the changes.
- Refundable income tax credits. Legislation enacted in 2002 increased the refundable tax credits available to help offset certain property taxes on commercial and industrial machinery and equipment from 15 percent to 20 percent in tax year 2005; and to 25 percent in tax year 2007 and thereafter. The 2002 legislation also for the first time extended the availability of the credits to certain railroad property. The estimated fiscal impact relative to the increase in the amount of credits claimed is \$12.673 million in FY 2006; \$13.800 million in FY 2007; and \$18.796 million in FY 2008 (when the 25 percent level is fully phased in).
- STAR Bond Redevelopment Districts. As the Consensus Group noted in April, another issue affecting the growth of SGF sales tax receipts is the diversion of revenues to the city bond finance fund relative to the redevelopment district in Kansas City, Kansas. City bond finance fund receipts are likely to exceed \$15 million for FY 2004, a significant increase from \$4.1 million in FY 2003 and \$1.5 million in FY 2002. Legislation enacted in 2003 also made it more likely that additional redevelopment districts with the potential to divert SGF receipts would be established.
- Bioscience Industry Legislation. A number of provisions in the Kansas Economic Growth Act, especially those relating to the future diversion from the SGF of revenue streams attributable to the biosciences industry, also have the potential to reduce SGF receipts over time.
- Estate Taxes. Pursuant to legislation enacted in 2003, estate tax receipts will be reduced by \$8.5 million in FY 2008 and by \$11.2 million in FY 2009 as a result of Kansas' conforming to the federal estate tax exemption threshold.
- Impact of 2004 Legislation. Franchise taxes and fees are expected to increase by an additional \$4.0 million above the FY 2005 amount, but receipts from sales and use taxes are expected to decrease by a similar amount (as a result of the annualized impacts of the new exemptions).

TABLE 1
State General Fund Receipts
(In Thousands)

	FY 2003		Adjusted for Legislation Enacted After April 20, 2004			
			FY 2004 (Revised)		FY 2005 (Revised)	
	Amount	Percent Increase	Amount	Percent Increase	Amount	Percent Increase
Property Tax:						
Motor Carrier	\$15,729	(12.9) %	\$19,000	20.8 %	\$19,500	2.6 %
General Property	0	0.0	13,600	---	400	(97.1)
Motor Vehicle	0	0.0	1,500	---	1,000	(33.3)
Total	\$15,729	(12.9) %	\$34,100	116.8 %	\$20,900	(38.7) %
Income Taxes:						
Individual	\$1,750,054	(4.3) %	\$1,830,000	4.6 %	\$1,899,904	3.8 %
Corporation	105,222	12.0	125,000	18.8	130,000	4.0
Financial Inst.	31,120	11.5	34,000	9.3	34,500	1.5
Total	\$1,886,396	(3.3) %	\$1,989,000	5.4 %	\$2,064,404	3.8 %
Estate/Succession	\$46,952	(2.4) %	\$48,000	2.2 %	\$49,000	2.1 %
Excise Taxes:						
Retail Sales	\$1,567,722	6.6 %	\$1,620,000	3.3 %	\$1,670,941	3.1 %
Compensating Use	225,923	(3.3)	212,000	(6.2)	224,290	5.8
Cigarette	129,250	169.0	120,000	(7.2)	118,000	(1.7)
Tobacco Prod.	4,510	4.8	4,800	6.4	4,900	2.1
Cereal Malt Bev.	2,273	(4.5)	2,200	(3.2)	2,200	0.0
Liquor Gallonage	14,802	1.2	15,600	5.4	16,000	2.6
Liquor Enforce.	38,833	3.8	41,000	5.6	42,000	2.4
Liquor Dr. Places	6,847	3.5	7,400	8.1	7,700	4.1
Corp. Franchise	31,090	67.9	36,000	15.8	42,300	17.5
Severance	72,775	30.7	80,600	10.8	77,600	(3.7)
Gas	56,261	34.6	62,200	10.6	58,900	(5.3)
Oil	16,515	18.9	18,400	11.4	18,700	1.6
Total	\$2,094,025	10.7 %	\$2,139,600	2.2 %	\$2,205,931	3.1 %
Other Taxes:						
Insurance Prem.	\$94,455	11.2 %	\$100,000	5.9 %	\$100,000	0.0 %
Miscellaneous	4,427	82.9	4,500	1.6	4,500	0.0
Total	\$98,882	13.2 %	\$104,500	5.7 %	\$104,500	0.0 %
Total Taxes	\$4,141,984	3.6 %	\$4,315,200	4.2 %	\$4,444,735	3.0 %
Other Revenues:						
Interest	\$19,075	(50.7) %	\$14,300	(25.0) %	\$21,500	50.4 %
Net Transfers	(13,036)	---	20,050	(253.8)	11,530	(42.5)
Ag. Earn. & Misc.	97,556	89.5	100,900	3.4	63,956	(36.6)
Total Other Revenue	\$103,595	(7.5) %	\$135,250	30.6 %	\$96,986	(28.3) %
Total Receipts	\$4,245,579	3.3 %	\$4,450,450	4.8 %	\$4,541,721	2.1 %

TABLE 2
State General Fund Receipts – Comparison of Estimates for FY 2004

	CRE Estimate 4/20/04	Adjusted Estimate 5/21/04	Difference
Property Tax:			
Motor Carrier	\$19,000	\$19,000	\$0
General Property	13,600	13,600	0
Motor Vehicle	1,500	1,500	0
Total	\$34,100	\$34,100	\$0
Income Taxes:			
Individual	\$1,830,000	\$1,830,000	\$0
Corporation	125,000	125,000	0
Financial Inst.	34,000	34,000	0
Total	\$1,989,000	\$1,989,000	\$0
Estate/Succession	\$48,000	\$48,000	\$0
Excise Taxes:			
Retail Sales	\$1,620,000	\$1,620,000	\$0
Compensating Use	212,000	212,000	0
Cigarette	120,000	120,000	0
Tobacco Prod.	4,800	4,800	0
Cereal Malt Bev.	2,200	2,200	0
Liquor Gallonage	15,600	15,600	0
Liquor Enforce.	41,000	41,000	0
Liquor Dr. Places	7,400	7,400	0
Corp. Franchise	36,000	36,000	0
Severance	80,600	80,600	0
Gas	62,200	62,200	0
Oil	18,400	18,400	0
Total	\$2,139,600	\$2,139,600	\$0
Other Taxes:			
Insurance Prem.	\$100,000	\$100,000	\$0
Miscellaneous	4,500	4,500	0
Total	\$104,500	\$104,500	\$0
Total Taxes	\$4,315,200	\$4,315,200	\$0
Other Revenues:			
Interest	\$14,300	\$14,300	\$0
Net Transfers	19,900	20,050	150
Ag. Earn. & Misc.	100,900	100,900	0
Total Other Revenue	\$135,100	\$135,250	\$150
Total Receipts	<u>\$4,450,300</u>	<u>\$4,450,450</u>	<u>\$150</u>

TABLE 3
State General Fund Receipts – Comparison of Estimates for FY 2005

	CRE Estimate 4/20/04	Adjusted Estimate 5/21/04	Difference
Property Tax:			
Motor Carrier	\$19,500	\$19,500	\$0
General Property	400	400	0
Motor Vehicle	1,000	1,000	0
Total	\$20,900	\$20,900	\$0
Income Taxes:			
Individual	\$1,900,000	\$1,899,904	(\$96)
Corporation	130,000	130,000	0
Financial Inst.	34,500	34,500	0
Total	\$2,064,500	\$2,064,404	(\$96)
Estate/Succession	\$49,000	\$49,000	\$0
Excise Taxes:			
Retail Sales	\$1,675,000	\$1,670,941	(\$4,059)
Compensating Use	225,000	224,290	(710)
Cigarette	118,000	118,000	0
Tobacco Prod.	4,900	4,900	0
Cereal Malt Bev.	2,200	2,200	0
Liquor Gallonage	16,000	16,000	0
Liquor Enforce.	42,000	42,000	0
Liquor Dr. Places	7,700	7,700	0
Corp. Franchise	37,000	42,300	5,300
Severance	77,600	77,600	0
Gas	58,900	58,900	0
Oil	18,700	18,700	0
Total	\$2,205,400	\$2,205,931	\$531
Other Taxes:			
Insurance Prem.	\$100,000	\$100,000	\$0
Miscellaneous	4,500	4,500	0
Total	\$104,500	\$104,500	\$0
Total Taxes	\$4,444,300	\$4,444,735	\$435
Other Revenues:			
Interest	\$21,500	\$21,500	\$0
Net Transfers	11,700	11,530	(170)
Ag. Earn. & Misc.	64,900	63,956	(944)
Total Other Revenue	\$98,100	\$96,986	(\$1,114)
Total Receipts	<u>\$4,542,400</u>	<u>\$4,541,721</u>	<u>(\$679)</u>

TABLE 4
Legislative Adjustments by Bill by Source to FY 2005 Consensus Estimates
(\$ in millions)

	Sales	Use	Individual Income	Franchise	Net Transfers	Agency Earnings	SGF Total
H Sub SB 147	\$(4.459)	\$(0.710)	\$(0.196)	\$5.300	---	---	\$(0.065)
S Sub HB 2471	---	---	---	---	\$(0.170)	---	\$(0.170)
S Sub HB 2375	\$0.400	---	\$0.100	---	---	---	\$0.500
SB 552	---	---	---	---	---	\$(0.944)	\$(0.944)
Total	\$(4.059)	\$(0.710)	\$(0.096)	\$5.300	\$(0.170)	\$(0.944)	\$(0.679)

April 22, 2004

To: Governor Kathleen Sebelius and Legislative Budget Committee

From: Kansas Legislative Research Department
Kansas Division of the Budget

Re: State General Fund Receipts Revisions for FY 2004 and FY 2005

Estimates for the State General Fund (SGF) 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 April 20, 2004, and increased the overall estimate for both fiscal years by a combined \$39.85 million relative to the previous estimate made in November. The revised FY 2004 estimate is \$4.450 billion, and the revised FY 2005 estimate is \$4.542 billion. A permanent change in law enabled the group to meet on or before April 20 in lieu of the previous requirement to meet on or before April 4. The revised estimates incorporate the fiscal impact of all 2004 legislation signed into law thus far.

For FY 2004, the estimate was decreased by \$33.3 million, or 0.7 percent, below the November estimate. One significant reason for the adjustment relates to a decision by the Governor to avail herself of a statutory prerogative and pay \$50 million in tax refunds by the end of FY 2004 that, pursuant to legislation enacted in 2003, otherwise would have been deferred to FY 2005. Excluding that adjustment, the FY 2004 figure was increased by \$16.7 million, or 0.4 percent, above the previous estimate. The overall revised SGF estimate of \$4.450 billion represents a 4.8 percent growth forecast above final FY 2003 receipts. But it is worth remembering that the FY 2004 receipt estimate includes certain monies (tax amnesty, property and motor vehicle taxes, and revenues from the federal government) which for the most part are not expected to continue as an ongoing part of SGF receipts.

The revised estimate for FY 2005 of \$4.542 billion was increased by \$73.2 million, or 1.6 percent above the November estimate. Excluding the \$50 million of positive adjustment attributable to the aforementioned refunds' having been paid in FY 2004, the revised estimate was increased by \$23.2 million, or 0.5 percent, above the previous FY 2005 estimate. The revised FY 2005 estimate is \$92.1 million, or 2.1 percent, above the newly revised FY 2004 figure, with the growth rate heavily influenced by removal of many of the one-time monies from the SGF-receipts base.

Economic Forecast for Kansas

The Kansas economy is expected to continue to grow, albeit more slowly than the national economy. Estimates of nominal US Gross Domestic Product for 2003, 2004, and 2005 are 4.8 percent; 6.2 percent; and 5.4 percent, respectively, compared with Kansas Gross State Product estimates for the same three years of 4.0 percent; 5.5 percent; and 4.8 percent. Aviation manufacturing remains an area of particular concern, a concern which is further magnified by the ripple effect that sector has on the entire state economy. The Consensus estimates contained herein are based on the assumption that the relatively modest growth in the Kansas economy will continue throughout the forecast period.

Kansas Personal Income

Kansas Personal Income (KPI) in 2002 grew by only 1.9 percent over the 2001 level. The growth rate for KPI is expected to accelerate throughout the forecast period, with the estimates now set at 3.1 percent for 2003, 4.6 percent for 2004, and 4.9 percent for 2005. The estimates for 2004 and 2005 have been increased slightly since the November Consensus forecast. Current estimates are that overall US Personal Income growth – 3.2 percent for 2003, 4.9 percent for 2004, and 5.5 percent for 2005 – will remain faster than the growth in Kansas.

Employment

The employment outlook for Kansas remains sluggish. The overall Kansas unemployment rate was 5.3 percent in FY 2003 (the highest in nine years) and is expected to again be 5.3 percent in FY 2004 before dropping to 5.1 percent in FY 2005. Over 27,000 fewer manufacturing jobs are expected to exist statewide in FY 2004 than did in FY 1999. Outsourcing and other long-term structural changes in the US economy have contributed to that reduction, as have events affecting aviation manufacturing in and around Wichita. The Wichita area alone has seen a reduction of over 10,000 transportation equipment jobs over the last two years. The events of 9/11/2001 and new competitive pressures affecting the airline industry have continued to cause a downward spiral in aviation manufacturing employment, and additional uncertainty about the future of that sector of the state's economy has arisen over the last several months.

Agriculture

The All Farm Products Index of Prices received by Kansas farmers was 117 in March, compared with 100 a year earlier. As of March 1, stocks of wheat in all positions were up 29 percent from the same date in 2003. Wheat prices in mid-March of \$3.50 per bushel were 32 cents higher than March of 2003. Cattle prices also are continuing to run significantly ahead of last year's levels. The lack of subsoil moisture in many areas of the state remains a significant concern.

Oil and Gas

The average price per taxable barrel of Kansas crude oil is now estimated to be \$28.50 for FY 2004 and \$29.00 for FY 2005. Gross oil production in Kansas, which generally had been declining steadily for more than a decade until FY 2000, appears to be stabilizing at around 33 million barrels per year. More than half of all Kansas oil produced is not subject to severance taxation because of various exemptions in that law. The price of natural gas, which has been relatively high over the last year, is expected to continue to increase as a result of various market forces and an analysis of futures markets. Natural gas production in FY 2003 of 445 million cubic feet represented a continuing decrease from the recent peak of 730 million cubic feet in FY 1996. Production is expected to continue to decline for the foreseeable future as natural gas reserves, especially those in the Hugoton field, are depleted. The current forecast is for 405 million cubic feet for FY 2004 and 370 million cubic feet for FY 2005.

Inflation Rate

The Consumer Price Index for all Urban consumers (CPI-U) increased by 2.3 percent in 2003. The national forecasts for both 2004 and 2005 are for inflation to continue at moderate levels, 1.7 percent and 2.0 percent, respectively.

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 2003, the state earned 1.63 percent on its SGF portfolio. The average rate of return forecasted for FY 2004 is 1.18 percent. For FY 2005, the forecasted rate is 1.71 percent.

Tax Amnesty

Legislation enacted in 2003 established a tax amnesty program from October 1 through November 30, wherein an additional \$19.5 million of revenue was expected to be produced (\$12.5 million from individual income taxes and \$7.0 million from sales taxes). The Department of Revenue reported that FY 2004 SGF receipts in fact have increased by at least \$28.2 million as a result of the amnesty (\$10.9 million for individual income taxes; \$5.6 million from sales taxes; \$9.8 million from corporation income taxes; and \$1.9 million from other sources).

Federal Flexible Grant and Medicaid Funds

As part of a new federal tax law enacted in 2003, Kansas received an additional \$45.7 million in FY 2003 SGF receipts (which is shown as agency earnings and miscellaneous receipts) attributable to flexible grant monies; and an additional \$45.7 million in FY 2004. Additional Medicaid funds the state received from the federal legislation were not deposited directly into the SGF but did reduce SGF expenditures.

Property Tax Accelerator

Based upon a law enacted in 2003 and upon a subsequent finding by the Governor over the summer as to the state's fiscal condition, the property tax payment date for the second half of the prior year's property taxes has now been accelerated from June 20 to May 10, beginning in 2004. Although the primary intent of that action was to increase FY 2004 local effort for purposes of the school finance formula, a number of other statutory adjustments to state property tax levies also occurred once the accelerator provisions were triggered. For tax year 2003 only, a temporary property tax levy of 0.6 mills is imposed for the SGF, while the levy for state building funds is decreased by 0.6 mills. The SGF also will receive a similar portion of the state's receipts attributable to the in-lieu-of property tax on motor vehicles through the end of calendar year 2004.

Internet Tax Freedom Act

The Department of Revenue has indicated that Congress in late April is scheduled to consider re-imposing and making permanent the moratorium that was contained in the now-expired Internet Tax Freedom Act on state taxation of Internet access fees and expanding the definition of

"Internet access." If this federal legislation is enacted, sales tax receipts to the SGF for FY 2005 would be expected to be reduced by \$10 million relative to the estimate contained in this document (as a result of certain telecommunications services used to provide Internet access being exempted from state taxation).

Economic Forecasts

	CY 02	CY 03*	CY 04*	CY 05*
KPI Growth	1.9%	3.1%	4.6%	4.9%
Inflation (CPI-U)	1.6%	2.3%	1.7%	2.0%
		FY 03	FY 04*	FY 05*
SGF Interest		1.63%	1.18%	1.71%
Oil and Gas				
Oil Price per bbl		\$ 27.33	\$ 28.50	\$ 29.00
Oil Prod. (000)		33,244	33,000	33,000
Gas Price per mcf		\$ 3.45	\$ 4.10	\$ 4.25
Gas Production (000)		444,510	405,000	370,000

* Estimated

Attached Tables

Table 1 compares the new FY 2004 and FY 2005 estimates by source with actual receipts from FY 2003. Tables 2 and 3 show the changes in the estimates by source for each fiscal year. Tables 4 and 5 show the changes in the estimates for each fiscal year ignoring the aforementioned shifts in tax refunds.

State General Fund Receipts Estimates

FY 2004. The revised estimate of SGF receipts for FY 2004 is \$4.450 billion, a decrease of \$33.3 million from the previous estimate made in November. The revised estimate is \$204.7 million or 4.8 percent above actual FY 2003 receipts, but as noted previously, the new FY 2004 figure would have represented much lower growth but for a number of one-time enhancements affecting SGF receipts. The overall growth rate would be 2.7 percent if the \$28.2 million in tax amnesty; \$45.7 million in federal grant funds; and \$15.1 million in property and motor vehicle taxes all were excluded from the estimate. Details of the revised estimate are reflected in Table 2.

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. As noted previously, the decision by the Governor to

make timely payments of \$50 million in tax refunds that a 2003 law otherwise would have deferred until FY 2005 resulted in cutting the FY 2004 estimates by \$50 million for that reason alone.

The estimate for individual income taxes was decreased by \$25 million. One factor contributing to this downward revision relates to the aforementioned change in the payment of refunds, \$36 million of which are assumed to be individual income tax refunds. (Absent the refund adjustment, the estimate was increased by \$11 million.) Receipts through March were running \$10.4 million below the prior fiscal-year-to-date estimate, but data from the Department of Revenue through mid-April indicate positive growth in withholding and balance due remittances relative to the previous year. The revised FY 2004 estimate now calls for growth of \$80 million in this source over FY 2003 receipts. (Individual income tax receipts fell by a combined \$227.3 million for the FY 2001-FY 2003 period.)

The sales tax estimate was reduced by \$15 million. Receipts through March were running \$11.2 million below the November estimate. The Department of Revenue indicated that an increased number of retroactive refund claims filed by consultants and refund aggregators has continued to erode receipts. Another issue affecting the growth of SGF sales tax receipts is the diversion of revenues to the city bond finance fund relative to the redevelopment district in Kansas City, Kansas. Through mid-April, city bond finance fund receipts were \$11.4 million and appeared likely to exceed \$15 million for the fiscal year. City bond finance fund receipts were \$1.5 million in FY 2002 and \$4.1 million in FY 2003.

The cigarette tax estimate, which was \$7.8 million below the previous estimate through March, was reduced by \$10 million.

The compensating use tax forecast, which also has been affected by the proliferation of refund claims, was reduced by \$8.0 million.

The overall severance tax estimate was decreased by \$4.85 million. The estimate for the tax on natural gas was decreased by \$5.65 million, while the estimate for the tax on oil was increased by \$0.8 million.

On the positive side, the estimate for insurance premiums taxes was increased by \$5.0 million. Receipts for this source through March had been running well ahead of the previous forecast.

The corporation income tax forecast also was increased by \$5.0 million. Although receipts through March were \$18.8 million ahead of the previous estimate, an additional \$16.1 million in refunds are now expected to be paid by the end of the fiscal year relative to the assumption made under the previous estimate (\$10 million in refunds which will no longer be deferred until FY 2005; and a \$6.1 million refund likely to be paid in May which had not been expected in November).

The estimate for transfers was increased by \$13.6 million, which includes all legislation approved by April 20. Included in this amount is a transfer of an additional \$3.8 million in lottery funds.

FY 2005. SGF receipts are estimated to be \$4.542 billion in FY 2005, an increase of \$92.1 million or 2.1 percent when compared to the newly revised FY 2004 figure. As noted earlier, this figure represents slower growth relative to the comparable FY 2004 figure largely because the \$45.7 million in federal grant funding has been removed from the receipts base; and \$28.2 million in tax amnesty receipts also will not be repeated. Revenues attributable to the property tax accelerator also will have declined by an estimated \$13.7 million in FY 2005. Total receipts in FY 2005 would

have grown \$179.7 million or 4.1 percent over the new FY 2004 estimate if the latter did not contain the aforementioned \$87.6 million in additional receipts. Details of this estimate are shown in Table 3.

Of the \$73.15 million overall increase in the FY 2005 estimate, individual (\$50 million) and corporation (\$20 million) income taxes accounted for \$70 million. The removal of the assumption that deferred refunds from FY 2004 would be paid in FY 2005 accounted for \$36 million of the increase in the individual income tax estimate; and \$10 million of the increase in the corporation income tax estimate. Increases in the forecasts for KPI growth and corporation profits help explain the balance of the changes.

The Department of Revenue reiterated its position that \$6.5 million in FY 2005 use tax receipts is attributable to voluntary compliance by retailers because of the state's participation in the multistate Streamlined Sales and Use Tax Agreement.

The \$11.4 million increase in agency earnings and miscellaneous revenue is largely attributable to the enactment of legislation amending the unclaimed property law to require property distributable in the course of a demutualization of an insurance company to be considered abandoned after two years. This provision accounted for a one-time increase of \$10 million in additional receipts.

Other significant adjustments of note include \$10 million decreases in the estimates for the sales and cigarette taxes.

Accuracy of Consensus Revenue Estimates

For 29 years, SGF 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 April 20, 2004, 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	0.0
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)	0.0	42.1	1.0
2001	4,420.7	4,408.7	4,415.0	(5.7)	(0.1)	6.4	0.1
2002	4,674.5	4,320.6	4,108.9	(565.6)	(12.1)	(211.7)	(4.9)
2003	4,641.0	4,235.6	4,245.6	(395.4)	(9.3)	9.9	0.2

* 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.

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 each of the last two fiscal years, actual receipts have been slightly lower than original estimates.

As might be expected, there has usually been 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 15 fiscal years, the most significant shortfall in receipts relative to the final estimate was FY 2002 (4.9 percent), while the largest percentage underestimate occurred in FY 1994 (1.6 percent).

Concluding Comments

Consensus revenue estimates are based on current federal and state laws and their current interpretation. These estimates will be adjusted at the conclusion of the 2004 Legislative Session to reflect all legislation enacted after April 20 which affects SGF receipts.

Table 1
State General Fund Receipts
(In Thousands)

	FY 2003		Revised Consensus Estimates, April 20, 2004			
			FY 2004		FY 2005	
	Amount	Percent Increase	Amount	Percent Increase	Amount	Percent Increase
Property Tax:						
Motor Carrier	\$15,729	(12.9) %	\$19,000	20.8 %	\$19,500	2.6 %
General Property	0	0.0	13,600	---	400	(97.1)
Motor Vehicle	0	0.0	1,500	---	1,000	(33.3)
Total	\$15,729	(12.9) %	\$34,100	116.8 %	\$20,900	(38.7) %
Income Taxes:						
Individual	\$1,750,054	(4.3) %	\$1,830,000	4.6 %	\$1,900,000	3.8 %
Corporation	105,222	12.0	125,000	18.8	130,000	4.0
Financial Inst.	31,120	11.5	34,000	9.3	34,500	1.5
Total	\$1,886,396	(3.3) %	\$1,989,000	5.4 %	\$2,064,500	3.8 %
Estate/Succession	\$46,952	(2.4) %	\$48,000	2.2 %	\$49,000	2.1 %
Excise Taxes:						
Retail Sales	\$1,567,722	6.6 %	\$1,620,000	3.3 %	\$1,675,000	3.4 %
Compensating Use	225,923	(3.3)	212,000	(6.2)	225,000	6.1
Cigarette	129,250	169.0	120,000	(7.2)	118,000	(1.7)
Tobacco Prod.	4,510	4.8	4,800	6.4	4,900	2.1
Cereal Malt Bev.	2,273	(4.5)	2,200	(3.2)	2,200	0.0
Liquor Gallonage	14,802	1.2	15,600	5.4	16,000	2.6
Liquor Enforce.	38,833	3.8	41,000	5.6	42,000	2.4
Liquor Dr. Places	6,847	3.5	7,400	8.1	7,700	4.1
Corp. Franchise	31,090	67.9	36,000	15.8	37,000	2.8
Severance	72,775	30.7	80,600	10.8	77,600	(3.7)
Gas	56,261	34.6	62,200	10.6	58,900	(5.3)
Oil	16,515	18.9	18,400	11.4	18,700	1.6
Total	\$2,094,025	10.7 %	\$2,139,600	2.2 %	\$2,205,400	3.1 %
Other Taxes:						
Insurance Prem.	\$94,455	11.2 %	\$100,000	5.9 %	\$100,000	0.0 %
Miscellaneous	4,427	82.9	4,500	1.6	4,500	0.0
Total	\$98,882	13.2 %	\$104,500	5.7 %	\$104,500	0.0 %
Total Taxes	\$4,141,984	3.6 %	\$4,315,200	4.2 %	\$4,444,300	3.0 %
Other Revenues:						
Interest	\$19,075	(50.7) %	\$14,300	(25.0) %	\$21,500	50.4 %
Net Transfers	(13,036)	---	19,900	(252.7)	11,700	(41.2)
Ag. Earn. & Misc.	97,556	89.5	100,900	3.4	64,900	(35.7)
Total Other Revenue	\$103,595	(7.5) %	\$135,100	30.4 %	\$98,100	(27.4) %
Total Receipts	\$4,245,579	3.3 %	\$4,450,300	4.8 %	\$4,542,400	2.1 %

Table 2
State General Fund Receipts – Comparison of Estimates for FY 2004
Made on November 3, 2003, and April 20, 2004

	Estimate* 11/3/03	Revised Estimate 4/20/04	Difference
Property Tax:			
Motor Carrier	\$17,500	\$19,000	\$1,500
General Property	13,600	13,600	0
Motor Vehicle	1,700	1,500	(200)
Total	\$32,800	\$34,100	\$1,300
Income Taxes:			
Individual	\$1,855,000	\$1,830,000	(\$25,000)
Corporation	120,000	125,000	5,000
Financial Inst.	34,250	34,000	(250)
Total	\$2,009,250	\$1,989,000	(\$20,250)
Estate/Succession	\$46,250	\$48,000	\$1,750
Excise Taxes:			
Retail Sales	\$1,635,000	\$1,620,000	(\$15,000)
Compensating Use	220,000	212,000	(8,000)
Cigarette	130,000	120,000	(10,000)
Tobacco Prod.	4,900	4,800	(100)
Cereal Malt Bev.	2,500	2,200	(300)
Liquor Gallonage	16,000	15,600	(400)
Liquor Enforce.	41,750	41,000	(750)
Liquor Dr. Places	7,400	7,400	0
Corp. Franchise	35,000	36,000	1,000
Severance	85,450	80,600	(4,850)
Gas	67,850	62,200	(5,650)
Oil	17,600	18,400	800
Total	\$2,178,000	\$2,139,600	(\$38,400)
Other Taxes:			
Insurance Prem.	\$95,000	\$100,000	\$5,000
Miscellaneous	4,500	4,500	0
Total	\$99,500	\$104,500	\$5,000
Total Taxes	\$4,365,800	\$4,315,200	(\$50,600)
Other Revenues:			
Interest	\$12,800	\$14,300	\$1,500
Net Transfers	6,300	19,900	13,600
Ag. Earn. & Misc.	98,700	100,900	2,200
Total Other Revenue	\$117,800	\$135,100	\$17,300
Total Receipts	<u>\$4,483,600</u>	<u>\$4,450,300</u>	<u>(\$33,300)</u>

* Prior estimate included assumed deferral of \$50 million in refunds from FY 2004 to FY 2005.

Table 3
State General Fund Receipts – Comparison of Estimates for FY 2005
Made on November 3, 2003, and April 20, 2004

	Estimate* 11/3/03	Revised Estimate 4/20/04	Difference
Property Tax:			
Motor Carrier	\$18,000	\$19,500	\$1,500
General Property	400	400	0
Motor Vehicle	1,200	1,000	(200)
Total	\$19,600	\$20,900	\$1,300
Income Taxes:			
Individual	\$1,850,000	\$1,900,000	\$50,000
Corporation	110,000	130,000	20,000
Financial Inst.	34,250	34,500	250
Total	\$1,994,250	\$2,064,500	\$70,250
Estate/Succession	\$48,250	\$49,000	\$750
Excise Taxes:			
Retail Sales	\$1,685,000	\$1,675,000	(\$10,000)
Compensating Use	225,000	225,000	0
Cigarette	128,000	118,000	(10,000)
Tobacco Prod.	5,000	4,900	(100)
Cereal Malt Bev.	2,500	2,200	(300)
Liquor Gallonage	16,500	16,000	(500)
Liquor Enforce.	44,000	42,000	(2,000)
Liquor Dr. Places	7,700	7,700	0
Corp. Franchise	36,000	37,000	1,000
Severance	73,450	77,600	4,150
Gas	57,150	58,900	1,750
Oil	16,300	18,700	2,400
Total	\$2,223,150	\$2,205,400	(\$17,750)
Other Taxes:			
Insurance Prem.	\$95,000	\$100,000	\$5,000
Miscellaneous	4,500	4,500	0
Total	\$99,500	\$104,500	\$5,000
Total Taxes	\$4,384,750	\$4,444,300	\$59,550
Other Revenues:			
Interest	\$21,500	\$21,500	\$0
Net Transfers	9,500	11,700	2,200
Ag. Earn. & Misc.	53,500	64,900	11,400
Total Other Revenue	\$84,500	\$98,100	\$13,600
Total Receipts	<u>\$4,469,250</u>	<u>\$4,542,400</u>	<u>\$73,150</u>

* Prior estimate included assumed deferral of \$50 million in refunds from FY 2004 to FY 2005.

Table 4
State General Fund Receipts – Comparison of Estimates for FY 2004
Made on November 3, 2003, and April 20, 2004
Under Assumption Governor would Waive Refund Decelerations

	Estimate* 11/3/03	Revised Estimate 4/20/04	Difference
Property Tax:			
Motor Carrier	\$17,500	\$19,000	\$1,500
General Property	13,600	13,600	0
Motor Vehicle	1,700	1,500	(200)
Total	<u>\$32,800</u>	<u>\$34,100</u>	<u>\$1,300</u>
Income Taxes:			
Individual	\$1,819,000	\$1,830,000	\$11,000
Corporation	110,000	125,000	15,000
Financial Inst.	34,000	34,000	0
Total	<u>\$1,963,000</u>	<u>\$1,989,000</u>	<u>\$26,000</u>
Estate/Succession	\$46,000	\$48,000	\$2,000
Excise Taxes:			
Retail Sales	\$1,633,000	\$1,620,000	(\$13,000)
Compensating Use	219,000	212,000	(7,000)
Cigarette	130,000	120,000	(10,000)
Tobacco Prod.	4,900	4,800	(100)
Cereal Malt Bev.	2,500	2,200	(300)
Liquor Gallonage	16,000	15,600	(400)
Liquor Enforce.	41,500	41,000	(500)
Liquor Dr. Places	7,400	7,400	0
Corp. Franchise	35,000	36,000	1,000
Severance	85,200	80,600	(4,600)
Gas	67,600	62,200	(5,400)
Oil	17,600	18,400	800
Total	<u>\$2,174,500</u>	<u>\$2,139,600</u>	<u>(\$34,900)</u>
Other Taxes:			
Insurance Prem.	\$95,000	\$100,000	\$5,000
Miscellaneous	4,500	4,500	0
Total	<u>\$99,500</u>	<u>\$104,500</u>	<u>\$5,000</u>
Total Taxes	\$4,315,800	\$4,315,200	(\$600)
Other Revenues:			
Interest	\$12,800	\$14,300	\$1,500
Net Transfers	6,300	19,900	13,600
Ag. Earn. & Misc.	98,700	100,900	2,200
Total Other Revenue	<u>\$117,800</u>	<u>\$135,100</u>	<u>\$17,300</u>
Total Receipts	<u>\$4,433,600</u>	<u>\$4,450,300</u>	<u>\$16,700</u>

* See provisions of 2003 HB 2444 granting the Governor this power.

Table 5
State General Fund Receipts – Comparison of Estimates for FY 2005
Made on November 3, 2003, and April 20, 2004
Under Assumption Governor would Waive Refund Decelerations

	Estimate* 11/3/03	Revised Estimate 4/20/04	Difference
Property Tax:			
Motor Carrier	\$18,000	\$19,500	\$1,500
General Property	400	400	0
Motor Vehicle	1,200	1,000	(200)
Total	\$19,600	\$20,900	\$1,300
Income Taxes:			
Individual	\$1,886,000	\$1,900,000	\$14,000
Corporation	120,000	130,000	10,000
Financial Inst.	34,500	34,500	0
Total	\$2,040,500	\$2,064,500	\$24,000
Estate/Succession	\$48,500	\$49,000	\$500
Excise Taxes:			
Retail Sales	\$1,687,000	\$1,675,000	(\$12,000)
Compensating Use	226,000	225,000	(1,000)
Cigarette	128,000	118,000	(10,000)
Tobacco Prod.	5,000	4,900	(100)
Cereal Malt Bev.	2,500	2,200	(300)
Liquor Gallonage	16,500	16,000	(500)
Liquor Enforce.	44,250	42,000	(2,250)
Liquor Dr. Places	7,700	7,700	0
Corp. Franchise	36,000	37,000	1,000
Severance	73,700	77,600	3,900
Gas	57,400	58,900	1,500
Oil	16,300	18,700	2,400
Total	\$2,226,650	\$2,205,400	(\$21,250)
Other Taxes:			
Insurance Prem.	\$95,000	\$100,000	\$5,000
Miscellaneous	4,500	4,500	0
Total	\$99,500	\$104,500	\$5,000
Total Taxes	\$4,434,750	\$4,444,300	\$9,550
Other Revenues:			
Interest	\$21,500	\$21,500	\$0
Net Transfers	9,500	11,700	2,200
Ag. Earn. & Misc.	53,500	64,900	11,400
Total Other Revenue	\$84,500	\$98,100	\$13,600
Total Receipts	\$4,519,250	\$4,542,400	\$23,150

* See provisions of 2003 HB 2444 granting the Governor this power.