

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 10:30 A.M. on June 22, 2005 at the Capitol.

All members were present.

Committee staff present:

Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Amy VanHouse, Legislative Research Department
Reagan Cussimano, Legislative Research Department
Carolyn Rampey, Legislative Research Department
Robert Waller, Legislative Research Department
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Assistant
Shirley Jepson, Committee Secretary

Conferees appearing before the committee (Afternoon Session):

Eric Rucker, Office of Attorney General
Stuart Little, Little Government Relations
John Parr, Chief Club Professional Officer of the Topeka Boys and Girls Club
Mark Norstrom, President of the Kansas Alliance of the Boys and Girls Club
Kevin Graham, Office of the Attorney General
Randy Mettner, Special Assistant to the Adjutant General
Duane Goossen, Director of the Budget

Others attending (Afternoon Session):

See attached list.

- Attachment 1 Copy of **SSHB 2004**
- Attachment 2 Testimony on **SSHB 2004** by Eric Rucker, Office of Attorney General
- Attachment 3 Amendment to **SSHB 2004** presented by Stuart Little, Little Government Relations
- Attachment 4 Copy of **SSHB 2005**
- Attachment 5 Update on State General Fund (SGF) by J. G. Scott, Legislative Research Department.

MORNING SESSION

Chair Neufeld convened the meeting of the House Appropriations Committee at 10:30 a.m. at the rail outside of the House Chamber on the third floor of the Capitol.

Representative Schwab moved to introduce two bills regarding (1) a request from the Attorney General's office for additional funding in the amount of \$200,000 for the defense of two cases being heard by the United States Supreme Court; and (2) the state reimbursement of certain state National Guard member's life insurance premiums under the federal military life insurance program. The motion was seconded by Representative Landwehr. Motion carried.

The meeting was recessed at 10:35 a.m. and will reconvene at 1:30 p.m.

AFTERNOON SESSION

Chair Neufeld reconvened the meeting at 1:40 p.m. in Room 514-S of the Capitol.

Hearing on SSHB 2004 - Appropriations for FY 2006, attorney general, death penalty litigation.

Carolyn Rampey, Legislative Research Department, explained that **SSHB 2004** (Attachment 1) is an act pertaining to the funding for two cases being heard by the United States Supreme Court in which the Attorney

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 10:30 A.M. on June 22, 2005 in Room 514-S of the Capitol.

General's office will be involved. One case is a criminal case of Kansas v. Marsh relating to the death penalty. The Attorney General has indicated that this case cannot be defended with funds from the Tort Claims Fund and therefore will require additional State General Fund dollars in the amount of \$154,500. The second case is Richards v. Prairie Band Potawatomi Nation. The Circuit Court has ruled that Kansas cannot impose a tax on gasoline sold by an Indian Nation. The state has appealed this ruling and it will now be heard by the United States Supreme Court at an estimated cost of \$43,500. This case could be funded from the Tort Claims Fund. **SSHB 2004** is drafted appropriating both amounts from the State General Fund (SGF), in an amount not to exceed \$200,000. In addition the bill would remove the cap on the Tort Claims Fund and allow for the option of funding both cases from the Tort Claims Fund. Responding to a question from the Committee, Ms. Rampey stated that the expenditure limit on the Tort Claims Fund has been removed on prior occasions for a designated period of time.

Chair Neufeld recognized Eric Rucker, Office of the Attorney General, who presented testimony in support of **SSHB 2004** ([Attachment 2](#)). Mr. Rucker indicated that it is rare for cases to be heard by the United States Supreme Court and for this reason, the Attorney General's Office had not requested funding for this litigation during the regular session of the Legislature.

The Committee voiced concern that the Indian Nations case has been on-going for some time in which the state has lost in every decision.

The Chair recognized Stuart Little, Little Governmental Relations, who presented testimony, representing the Kansas Alliance of Boys and Girls Clubs of America, to amend **SSHB 2004** by authorizing funding in the amount of \$500,000, through the Office of the Attorney General, to establish a Young Kansas-Safe Kids program ([Attachment 3](#)). The purpose of the program is designed to help build a generation of kids who know how to keep themselves safe in their communities. It is partnered with law enforcement, the Boys & Girls Clubs of America and other local youth-serving not-for-profit agencies. The proposal requests state funding of \$500,000 to be allocated to the not-for-profit agencies through the Office of the Attorney General. The Kansas Alliance of Boys & Girls Clubs, together with the Boys & Girls Clubs of America, has committed to matching dollar for dollar, up to \$300,000. It is anticipated that other not-for-profit agencies might also offer matching dollars. John Parr, Chief Club Professional Officer of the Topeka Boys and Girls Club, and Mark Norstrom, President of the Kansas Alliance of the Boys and Girls Club, appeared in support of the request.

The Committee voiced concern that other not-for-profit children's programs were not included in the program and stated that they felt the program should be expanded to allow for other not-for-profit children's programs through an application and matching funds program. The Committee noted that there is no budget breakdown as to how the funds will be spent.

Kevin Graham, Office of the Attorney General, spoke in support of the program.

Chair Neufeld closed the hearing on **SSHB 2004**.

Representative Landwehr moved to amend **SSHB 2004** by reducing the amount for the defense of the two cases by the Attorney General in the United States Supreme Court from \$200,000 to \$150,000; add a line item of \$250,000 State General Fund (SGF) to the Attorney General's budget for the Kansas Alliance of Boys and Girls Club Young Kansas-Safe Kids program, to be used only for this program with any unused funds reverting back to the SGF on a yearly basis; and a status report on the program to be presented to the Legislature during the 2006 session. The motion was seconded by Representative Bethell. Motion failed on a 8-11 vote.

The Committee voiced concern about the status of the State General Fund (SGF), the possible cuts which may be proposed to meet the required ending balance, and the extra funds required to fund this amendment.

Representative Sharp moved to amend **SSHB 2004** by changing language increasing the limitation on the Kansas tort claims fund from "no limit" to "\$1,550,000". The motion was seconded by Representative Feuerborn. Motion failed.

Representative Feuerborn moved to amend **SSHB 2004** by reducing the requested funds from the State

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General Fund for litigation costs from \$200,000 to \$98,000. The motion was seconded by Representative Lane. Motion failed.

Representative Gatewood moved to amend SSB 2004 by reducing the requested funds from the State General Fund for litigation costs from \$200,000 to \$115,000. The motion was seconded by Representative Lane. Motion failed.

Representative Hutchins moved to recommend SSB 2004 favorable for passage. The motion was seconded by Representative Bethell. Motion carried.

Hearing on SSB 2005 - Adjutant general, national guard life insurance premium reimbursement fund, death benefit transition provisions, Kansas income tax adjusted gross income subtractions, appropriations for FY2006.

Robert Waller, Legislative Research Department, explained that SSB 2005 (Attachment 4) would require the State of Kansas to reimburse premiums on \$250,000 life insurance coverage for Kansas National Guard members called to active duty in a combat zone. The reimbursement would be made through the Adjutant General's office to the eligible member. The bill appropriated \$353,115 to cover an average of 1,657 members of the Kansas National Guard. Mr. Waller noted that the primary difference between the House bill and the Senate bill, both being considered, is that the Senate bill provides for an average of 2,000 Guard members. SSB 2005 would amend S Sub for HB 2518 with regard to the death benefit. Responding to a question from the Committee, Mr. Waller stated that the legislation would recognize a combat zone as defined by the Internal Revenue Service (IRS). Mr. Waller indicated that a Guard member may opt in or out of the life insurance coverage at any time during their tour of duty; also, noting that Guard members who are not participants in the program, are encouraged to do so when sent to a combat zone.

The Committee requested information from the Adjutant General's office on the number of Kansas National Guard members who have opted out of the insurance program.

Jim Wilson, Revisor of Statutes, stated that federal law prohibits coverage or insurance payment unless the person is a participant in the program.

Randy Mettner, Special Assistant to the Adjutant General, spoke in favor of the legislation, noting that the majority of Guard members are taking the maximum amount of life insurance.

The Chair closed the hearing on SSB 2005.

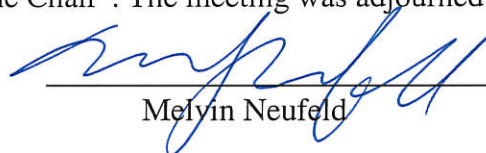
Representative Landwehr moved to recommend SSB 2005 favorable for passage. The motion was seconded by Representative Gatewood. Motion carried.

J. G. Scott, Legislative Research Department, presented an update on the State General Fund (SGF), as prepared by the Consensus Revenue Estimating Group (Attachment 5), including:

- State General Fund (SGF) Receipts, July through May, FY 2005
- Update to SGF Memo for FY 2005 (revised) and FY 2006 (revised)
- SGF Receipts, Expenditures and Balances as projected FY 2005 - FY 2008
- SGF Outyear Demands

Duane Goossen, Director of the Budget, stated that overall employment across Kansas has increased, resulting in increased income tax collections. The Committee voiced concern with the projected yearly decline in the ending balance of the State General Fund (SGF) because of increased expenditures. Mr. Goossen stated that his office has no plans to present a revenue package or Governor's Budget Amendment (GBA) to the Legislature during this special session of the Legislature.

The next meeting of the Committee will be "on call of the Chair". The meeting was adjourned at 3:40 p.m.


Melvin Neufeld

HOUSE APPROPRIATIONS COMMITTEE

June 22, 2005

NAME	REPRESENTING
Robert May	Little Bow. REJUVENATION
Eric Stafford	AGC - Kansas
Deann Williams	KMCA
KEVIN GRAHAM	AG
Judy Eyerly	KAMU

By Committee on Appropriations

AN ACT making and concerning appropriations for the fiscal year ending June 30, 2006, for the attorney general; authorizing certain transfers, capital improvement projects and fees, imposing certain restrictions and limitations, and directing or authorizing certain receipts, disbursements and acts incidental to the foregoing.

Be it enacted by the Legislature of the State of Kansas:

Section 1. (a) For the fiscal year ending June 30, 2006, appropriations are hereby made, restrictions and limitations are hereby imposed, and transfers, capital improvement projects, fees, receipts, disbursements and acts incidental to the foregoing are hereby directed or authorized as provided in this act.

(b) This act shall not be subject to the provisions of subsection (a) of K.S.A. 75-6702 and amendments thereto.

(c) The appropriations made by this act shall not be subject to the provisions of K.S.A. 46-155 and amendments thereto.

Sec. 2.

ATTORNEY GENERAL

(a) There is appropriated for the above agency from the state general fund for the fiscal year or years specified, the following:

Litigation costs

For the fiscal year ending June 30, 2006 \$200,000

(b) On July 1, 2005, the expenditure limitation established for the fiscal year ending June 30, 2006, by section 79(b) of 2005 Senate Substitute for House Bill No. 2482 on the tort claims fund for costs of defending the state or an employee of the state in any actions or proceedings on claims against the state or an employee of the state under the Kansas tort claims act or under the civil rights laws of the United States or the state of Kansas is hereby increased from \$1,301,227 to no limit.

Sec. 3. This act shall take effect and be in force from and after its publication in the Kansas register.



STATE OF KANSAS
OFFICE OF THE ATTORNEY GENERAL

PHILL KLINE
ATTORNEY GENERAL

June 13, 2005

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ANTICIPATED COSTS
UNITED STATES SUPREME COURT

KANSAS v. MARSH, 04-1170
RICHARDS v. PRAIRIE BAND POTAWATOMI NATION, 04-631

In FY 2005, two certiorari petitions were granted by the United States Supreme Court which, in the opinion of this Office, will require funding not to exceed \$200,000.00. The following are estimated costs associated with the litigation of these two matters before the United States Supreme Court.

Kansas v. Marsh, 04-1170

Briefs – Merits Brief (to include Joint Appendix) = \$16,000.00.
Reply Brief = \$8,500.00.

Litigation Costs/Travel – Attorney / Paralegal Compensation = \$115,000.00

Moot Courts – Attorney Compensation = \$15,000.00

TOTAL = \$154,500.00

Richards v. Prairie Band Potawatomi Nation, 04-631

Briefs – Reply Brief = \$8,500.00

Litigation Costs/Travel – Attorney / Paralegal Compensation = \$27,500.00

Moot Courts – Attorney Compensation = \$7,500.00

TOTAL = \$43,500.00

ESTIMATED TOTAL = \$198,000.00

HOUSE APPROPRIATIONS

DATE 6-22-2005
ATTACHMENT 2

STUART J. LITTLE, Ph.D.
Little Government Relations

June 22, 2005

YOUNG KANSAS—SAFE KIDS INITIATIVE

Purpose:

Young people today face increased threats from predators and child exploiters, on the Internet and in their communities, and from the temptations of delinquency. The Young Kansas—Safe Kids initiative is designed to help build a generation of kids who know how to keep themselves safe in their communities, safe on the Internet, and avoid the lures or drugs, alcohol, sexual activity and violence. The initiative enables state law enforcement to support not-for-profit youth-serving agencies that promote child safety, prevention, and productive alternatives for young people across the State of Kansas. See below for program specifics.

The Young Kansas—Safe Kids program would ideally utilize existing community partners to promote expansion of operations and programs in a long-term, multi-year project.

Partners:

Kansas Attorney General, the Kansas Legislature, local law enforcement, Boys & Girls Clubs in Kansas, the Boys & Girls Clubs of America, the National Center for Missing and Exploited Children, and other local youth-serving not-for-profit agencies.

Funding:

The Legislature would appropriate state funding to the Office of the Attorney General in the amount of \$500,000. Local program participants may provide matching funding to increase support opportunities. The Kansas Alliance of Boys & Girls Clubs, together with the Boys & Girls Clubs of America, has committed to match dollar for dollar all program support provided to Boys & Girls Clubs located in Kansas, up to \$300,000.

How the Funds Will Be Used:

Young Kansas—Safe Kids funds may be used to support new or existing programs designed to:

1. Inform young people about dangers and safety protocols on the Internet. Eligible programs should teach a comprehensive Internet safety curriculum similar to the NetSmartz ® program currently sponsored by the Kansas Attorney General and developed by the Boys & Girls Clubs of America and the National Center for Missing and Exploited Children.

2. Teach young people how to ensure their personal safety and security in their communities. Eligible programs include curricula designed to help parents and young people avoid abduction and exploitation, including the KidSmartz® program developed by the National Center for Missing and Exploited Children.
3. Train young people in the skills to resist drugs, alcohol, tobacco, premature sexual activity, and delinquent behavior.
4. A portion of Young Kansas—Safe Kids funding may also support related operations for agencies providing a safe place for young people to learn and play in the out-of-school-time hours. Eligible agencies must be chartered with a national youth-serving agency and provide daily, facility-based, youth-development programming in the after-school hours and during the summer. The Attorney General may direct such funding to eligible agencies serving communities which exhibit particularly high need for positive opportunities for youth.

Young Kansas—Safe Kids funding may be used to cover the costs of programs teaching the relevant curriculum in Boys & Girls Clubs, other youth-serving agencies, and/or schools. All programs will be developed and operated by a community-based or faith-based not-for-profit agency selected by the Attorney General. The operating agency will consult with the local school district as appropriate. Funds from the Young Kansas—Safe Kids program may also be utilized to cover reasonable administrative expenses for oversight and operation of the program by the Attorney General.

STUART J. LITTLE, Ph.D.
Little Government Relations

Kansas Boys & Girls Clubs Fact Sheet

(Based on 2003 data)

Club Locations: (including satellite programs)

B&GC of South Central Kansas (Main and Oaklawn)
Hutchinson
Coffeyville (Community Elementary)
Junction City
Lawrence (Cordley, Pickney, New York, Woodlaw, Kennedy, Deefield, Schwegler,
Langston Hughes)
Manhattan (Ogden)
Topeka (Overbrook, Indianola, Pauline, Lyman, Emporia {September 2005})
Prairie Band Potawatomi
Fort Riley Base
Kickapoo
Fort Leavenworth Base
McConnell AFB
Atchison
Wyandotte County

Membership

Youth Served: 28,076
Gender distribution: 52 % male/ 48% female
51 % minority group representation
80 % of members are between the ages of 7 and 15

Funding

Total All Funds \$3.7 million
20% federal (\$420,000 in federal OJP money); 22 % United Way; 7% local; 50% dues,
contributions, and misc.
0.5 percent is state funding

Staffing

79 full time staff
190 part time staff
532 non-board member volunteers

By Committee on Appropriations

AN ACT concerning the adjutant general; providing for reimbursement for certain life insurance premiums coverage; creating the national guard life insurance premium reimbursement fund; making and concerning appropriations for the fiscal year ending June 30, 2006, for the adjutant general; amending K.S.A. 75-3713b, as amended by section 3 of 2005 Senate Substitute for House Bill No. 2518, and K.S.A. 2004 Supp. 79-32,117, as amended by section 21 of 2005 House Bill No. 2537, and repealing the existing sections; also repealing section 1 of 2005 Senate Substitute for House Bill No. 2518.

Be it enacted by the Legislature of the State of Kansas:

New Section 1. (a) There is hereby created in the state treasury the national guard life insurance premium reimbursement fund which shall be administered by the adjutant general. All moneys credited to such fund shall be used only to reimburse eligible members of the Kansas army and air national guard for premiums paid for any period on or after September 1, 2005, under the servicemembers' group life insurance program pursuant to 38 U.S.C. §1965 et seq., as amended, and not otherwise reimbursed by the federal government, for death benefit coverage of the member on federal active duty in a combat area.

(b) All expenditures from the national guard life insurance premium reimbursement fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved in the manner prescribed by law.

(c) The adjutant general is hereby authorized to receive moneys from any grants, gifts, contributions or bequests made for the purposes of this section and to expend such moneys for the purpose for which received.

(d) For the purpose of carrying out the provisions of this section, and subject to the availability of appropriations therefor, the adjutant general shall develop and implement a plan (1) to determine eligibility for reimbursement from the national guard life insurance premium reimbursement fund for premiums paid under the servicemembers' group life insurance program pursuant to 38 U.S.C. §1965 et seq., as amended, and not otherwise reimbursed by the federal government, for death benefit coverage of the member on federal active duty in a combat area, and (2) to provide for such other aspects of the plan as the adjutant general deems necessary.

(e) Nothing in this section is intended to alter, amend or change the eligibility or applicability of the servicemembers' group life insurance program pursuant to 38 U.S.C. §1965 et seq., as

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ATTACHMENT 4

amended, or any rights, responsibilities or benefits thereunder.

(f) On and after the effective date of this act, and notwithstanding the provisions of section 1 or section 2 of 2005 Senate Substitute for House Bill No. 2518, and amendments thereto, section 2 of this act, and amendments thereto, or any other provision of law to the contrary, no member of the Kansas army or air national guard shall be eligible for the death benefit prescribed in section 1 of 2005 Senate Substitute for House Bill No. 2518, and amendments thereto, or in section 2 of this act, and amendments thereto, if such member is enrolled in the servicemember's group life insurance program pursuant to 38 U.S.C. §1965 et seq., as amended, after August 31, 2005. No amount shall be paid from the national guard life insurance premium reimbursement fund with respect to any case of any member of the Kansas army or air national guard for whom any death benefit has been paid pursuant to section 1 or section 2 of 2005 Senate Substitute for House Bill No. 2518, and amendments thereto, or pursuant to section 2 of this act, and amendments thereto.

New Sec. 2. (a) Subject to the provisions of section 1, and amendments thereto, in addition to any other benefits provided to members of the Kansas army or air national guard, the state of Kansas shall provide an aggregate death benefit in the amount of \$250,000 to the beneficiary or beneficiaries of each member of the Kansas army or air national guard who, on or after the effective date of this act and prior to September 1, 2005, dies as a result of federal active duty in a combat area in the line of duty and for whom a death benefit is not payable pursuant to section 1 of 2005 Senate Substitute for House Bill No. 2518, and amendments thereto. The death benefit provided by this section shall not be payable in any such case if such member dies as a result of committing suicide.

(b) The death benefit provided by this section shall be paid from amounts allocated therefor from the state emergency fund in accordance with K.S.A. 75-3713b, and amendments thereto.

(c) If such member has not designated one or more beneficiaries in accordance with the policies and procedures or rules and regulations adopted by the adjutant general for such death benefit, then a death benefit payable for such member's death pursuant to this section shall be paid into such member's estate and shall be disbursed or otherwise distributed as provided by law as part of such estate.

(d) For the purpose of carrying out the provisions of this section, the adjutant general shall adopt policies and procedures for the designation of a beneficiary or beneficiaries and for payment

of the death benefit provided by this section and may adopt rules and regulations to carry out the provisions of this section.

Sec. 3. On September 1, 2005, K.S.A. 75-3713b, as amended by section 3 of 2005 Senate Substitute for House Bill No. 2518, is hereby amended to read as follows: 75-3713b. (a) By unanimous vote of all of its members, the state finance council is hereby authorized and empowered to make allocations to, and authorize expenditures by, the adjutant general from the state emergency fund for the following purposes, subject to the limitations hereinafter imposed directly or by reference:

(1) The payment of claims for entitlements under K.S.A. 48-265, 48-266, 48-267 or 48-269, and amendments thereto, which accrue to members of the Kansas national guard or the Kansas state guard in accordance with and subject to the provisions of K.S.A. 48-261 to 48-271, inclusive, and amendments thereto;

(2) the payment of any expenses or other amounts required to be paid which arise under the national guard mutual assistance compact in accordance with and subject to the provisions of said compact and K.S.A. 48-1701 to 48-1703, inclusive, and amendments thereto; and

(3) the payment of death benefits pursuant to ~~section 1~~ section 2 of this act, and amendments thereto.

(b) The exercise of functions specified in subsection (a) are hereby declared to be matters characterized as legislative delegations. Such functions may be exercised by the state finance council only when the legislature is not in session and subject to the guidelines prescribed in subsection (c) of K.S.A. 75-3711c, and amendments thereto.

Sec. 4. On September 1, 2005, K.S.A. 2004 Supp. 79-32,117, as amended by section 21 of 2005 House Bill No. 2537, is hereby amended to read as follows: 79-32,117. (a) The Kansas adjusted gross income of an individual means such individual's federal adjusted gross income for the taxable year, with the modifications specified in this section.

(b) There shall be added to federal adjusted gross income:

(i) Interest income less any related expenses directly incurred in the purchase of state or political subdivision obligations, to the extent that the same is not included in federal adjusted gross income, on obligations of any state or political subdivision thereof, but to the extent that interest

income on obligations of this state or a political subdivision thereof issued prior to January 1, 1988, is specifically exempt from income tax under the laws of this state authorizing the issuance of such obligations, it shall be excluded from computation of Kansas adjusted gross income whether or not included in federal adjusted gross income. Interest income on obligations of this state or a political subdivision thereof issued after December 31, 1987, shall be excluded from computation of Kansas adjusted gross income whether or not included in federal adjusted gross income.

(ii) Taxes on or measured by income or fees or payments in lieu of income taxes imposed by this state or any other taxing jurisdiction to the extent deductible in determining federal adjusted gross income and not credited against federal income tax. This paragraph shall not apply to taxes imposed under the provisions of K.S.A. 79-1107 or 79-1108, and amendments thereto, for privilege tax year 1995, and all such years thereafter.

(iii) The federal net operating loss deduction.

(iv) Federal income tax refunds received by the taxpayer if the deduction of the taxes being refunded resulted in a tax benefit for Kansas income tax purposes during a prior taxable year. Such refunds shall be included in income in the year actually received regardless of the method of accounting used by the taxpayer. For purposes hereof, a tax benefit shall be deemed to have resulted if the amount of the tax had been deducted in determining income subject to a Kansas income tax for a prior year regardless of the rate of taxation applied in such prior year to the Kansas taxable income, but only that portion of the refund shall be included as bears the same proportion to the total refund received as the federal taxes deducted in the year to which such refund is attributable bears to the total federal income taxes paid for such year. For purposes of the foregoing sentence, federal taxes shall be considered to have been deducted only to the extent such deduction does not reduce Kansas taxable income below zero.

(v) The amount of any depreciation deduction or business expense deduction claimed on the taxpayer's federal income tax return for any capital expenditure in making any building or facility accessible to the handicapped, for which expenditure the taxpayer claimed the credit allowed by K.S.A. 79-32,177, and amendments thereto.

(vi) Any amount of designated employee contributions picked up by an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965, and amendments to such sections.

(vii) The amount of any charitable contribution made to the extent the same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-32,196, and amendments thereto.

(viii) The amount of any costs incurred for improvements to a swine facility, claimed for deduction in determining federal adjusted gross income, to the extent the same is claimed as the basis for any credit allowed pursuant to K.S.A. 2004 Supp. 79-32,204 and amendments thereto.

(ix) The amount of any ad valorem taxes and assessments paid and the amount of any costs incurred for habitat management or construction and maintenance of improvements on real property, claimed for deduction in determining federal adjusted gross income, to the extent the same is claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203 and amendments thereto.

(x) Amounts received as nonqualified withdrawals, as defined by K.S.A. 2004 Supp. 75-643, and amendments thereto, if, at the time of contribution to a family postsecondary education savings account, such amounts were subtracted from the federal adjusted gross income pursuant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amendments thereto, or if such amounts are not already included in the federal adjusted gross income.

(xi) The amount of any contribution made to the same extent the same is claimed as the basis for the credit allowed pursuant to K.S.A. 2004 Supp. 74-50,154, and amendments thereto.

(xii) For taxable years commencing after December 31, 2004, amounts received as withdrawals not in accordance with the provisions of section 4 of 2005 House Bill No. 2222, and amendments thereto, if, at the time of contribution to an individual development account, such amounts were subtracted from the federal adjusted gross income pursuant to paragraph (xiii) of subsection (c), or if such amounts are not already included in the federal adjusted gross income.

(c) There shall be subtracted from federal adjusted gross income:

(i) Interest or dividend income on obligations or securities of any authority, commission or instrumentality of the United States and its possessions less any related expenses directly incurred in the purchase of such obligations or securities, to the extent included in federal adjusted gross income but exempt from state income taxes under the laws of the United States.

(ii) Any amounts received which are included in federal adjusted gross income but which are specifically exempt from Kansas income taxation under the laws of the state of Kansas.

(iii) The portion of any gain or loss from the sale or other disposition of property having a

higher adjusted basis for Kansas income tax purposes than for federal income tax purposes on the date such property was sold or disposed of in a transaction in which gain or loss was recognized for purposes of federal income tax that does not exceed such difference in basis, but if a gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to that portion of such gain which is included in federal adjusted gross income.

(iv) The amount necessary to prevent the taxation under this act of any annuity or other amount of income or gain which was properly included in income or gain and was taxed under the laws of this state for a taxable year prior to the effective date of this act, as amended, to the taxpayer, or to a decedent by reason of whose death the taxpayer acquired the right to receive the income or gain, or to a trust or estate from which the taxpayer received the income or gain.

(v) The amount of any refund or credit for overpayment of taxes on or measured by income or fees or payments in lieu of income taxes imposed by this state, or any taxing jurisdiction, to the extent included in gross income for federal income tax purposes.

(vi) Accumulation distributions received by a taxpayer as a beneficiary of a trust to the extent that the same are included in federal adjusted gross income.

(vii) Amounts received as annuities under the federal civil service retirement system from the civil service retirement and disability fund and other amounts received as retirement benefits in whatever form which were earned for being employed by the federal government or for service in the armed forces of the United States.

(viii) Amounts received by retired railroad employees as a supplemental annuity under the provisions of 45 U.S.C. 228b (a) and 228c (a)(1) et seq.

(ix) Amounts received by retired employees of a city and by retired employees of any board of such city as retirement allowances pursuant to K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter ordinance exempting a city from the provisions of K.S.A. 13-14,106, and amendments thereto.

(x) For taxable years beginning after December 31, 1976, the amount of the federal tentative jobs tax credit disallowance under the provisions of 26 U.S.C. 280 C. For taxable years ending after December 31, 1978, the amount of the targeted jobs tax credit and work incentive credit disallowances under 26 U.S.C. 280 C.

(xi) For taxable years beginning after December 31, 1986, dividend income on stock issued by Kansas Venture Capital, Inc.

(xii) For taxable years beginning after December 31, 1989, amounts received by retired employees of a board of public utilities as pension and retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249 and amendments thereto.

(xiii) For taxable years beginning after December 31, 2004, amounts contributed to and the amount of income earned on contributions deposited to an individual development account under section 1, et seq., of 2005 House Bill No. 2222, and amendments thereto.

(xiv) For all taxable years commencing after December 31, 1996, that portion of any income of a bank organized under the laws of this state or any other state, a national banking association organized under the laws of the United States, an association organized under the savings and loan code of this state or any other state, or a federal savings association organized under the laws of the United States, for which an election as an S corporation under subchapter S of the federal internal revenue code is in effect, which accrues to the taxpayer who is a stockholder of such corporation and which is not distributed to the stockholders as dividends of the corporation.

(xv) For all taxable years beginning after December 31, 1999, amounts not exceeding \$2,000, or \$4,000 for a married couple filing a joint return, for each designated beneficiary which are contributed to a family postsecondary education savings account established under the Kansas postsecondary education savings program for the purpose of paying the qualified higher education expenses of a designated beneficiary at an institution of postsecondary education. For all taxable years beginning after December 31, 2004, amounts not exceeding \$3,000, or \$6,000 for a married couple filing a joint return, for each designated beneficiary which are contributed to a family postsecondary education savings account established under the Kansas postsecondary education savings program for the purpose of paying the qualified higher education expenses of a designated beneficiary at an institution of postsecondary education. The terms and phrases used in this paragraph shall have the meaning respectively ascribed thereto by the provisions of K.S.A. 2004 Supp. 75-643, and amendments thereto, and the provisions of such section are hereby incorporated by reference for all purposes thereof.

(xvi) For the tax year beginning after December 31, 2004, an amount not exceeding \$500; for the tax year beginning after December 31, 2005, an amount not exceeding \$600; for the tax year beginning after December 31, 2006, an amount not exceeding \$700; for the tax year beginning after

December 31, 2007, an amount not exceeding \$800; for the tax year beginning December 31, 2008, an amount not exceeding \$900; and for all taxable years commencing after December 31, 2009, an amount not exceeding \$1,000 of the premium costs for qualified long-term care insurance contracts, as defined by subsection (b) of section 7702B of public law 104-191.

(xvii) For all taxable years beginning after December 31, 2004, amounts received by taxpayers who are or were members of the armed forces of the United States, including service in the Kansas army and air national guard, as a recruitment, sign up or retention bonus received by such taxpayer as an incentive to join, enlist or remain in the armed services of the United States, including service in the Kansas army and air national guard, and amounts received for repayment of educational or student loans incurred by or obligated to such taxpayer and received by such taxpayer as a result of such taxpayer's service in the armed forces of the United States, including service in the Kansas army and air national guard.

(xviii) For all taxable years beginning after December 31, 2004, amounts received by taxpayers who are eligible members of the Kansas army and air national guard as a reimbursement pursuant to section 1 of this act, and amendments thereto, and amounts received for death benefits pursuant to section 2 of this act, and amendments thereto, or pursuant to section 1 or section 2 of 2005 Senate Substitute for House Bill No. 2518, and amendments thereto, to the extent that such death benefits are included in federal adjusted gross income of the taxpayer.

(d) There shall be added to or subtracted from federal adjusted gross income the taxpayer's share, as beneficiary of an estate or trust, of the Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and amendments thereto.

(e) The amount of modifications required to be made under this section by a partner which relates to items of income, gain, loss, deduction or credit of a partnership shall be determined under K.S.A. 79-32,131, and amendments thereto, to the extent that such items affect federal adjusted gross income of the partner.

Sec. 5

ADJUTANT GENERAL

(a) There is appropriated for the above agency from the following special revenue fund or funds for the fiscal year ending June 30, 2006, all moneys now or hereafter lawfully credited to and available in such fund or funds, except that expenditures other than refunds authorized by law shall

not exceed the following:

National guard life insurance premium reimbursement fund \$323,115

(b) On July 1, 2005, or as soon thereafter as moneys are available therefor, the director of accounts and reports shall transfer \$323,115 from the state general fund to the national guard life insurance premium reimbursement fund of the adjutant general.

(c) (1) During the fiscal year ending June 30, 2006, the director of the budget and the director of the legislative research department shall consult periodically and review the balance credited to and the estimated receipts to be credited to the national guard life insurance premium reimbursement fund during fiscal year 2006, and, upon a finding by the director of the budget in consultation with the director of the legislative research department that the total of the unencumbered balance and any estimated receipts to be credited during fiscal year 2006 to the national guard life insurance premium reimbursement fund are insufficient to finance the budgeted expenditures for fiscal year 2006 from the national guard life insurance premium reimbursement fund in accordance with the provisions of appropriation acts, the director of the budget shall certify such finding and the amount of any such insufficiency to the director of accounts and reports. At the same time that each such certification is made by the director of the budget to the director of accounts and reports under this subsection, the director of the budget shall deliver a copy of such certification to the director of the legislative research department.

(2) Upon receipt of any such certification and subject to approval of the transfer by the state finance council in accordance with this subsection, the director of accounts and reports shall transfer the amount of money as certified by the director of the budget from the state general fund to the national guard life insurance premium reimbursement fund, as specified by the director of the budget pursuant to such certification: *Provided*, That no such transfer from the state general fund to the national guard life insurance premium reimbursement fund shall be made except upon approval by the state finance council acting on this matter which is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in subsection (c) of K.S.A. 75-3711c and amendments thereto.

Sec. 6. On September 1, 2005, K.S.A. 75-3713b, as amended by section 3 of 2005 Senate Substitute for House Bill No. 2518, K.S.A. 2004 Supp. 79-32,117, as amended by section 21 of 2005

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House Bill No. 2537, and section 1 of 2005 Senate Substitute for House Bill No. 2518 are hereby repealed.

Sec. 7. This act shall take effect and be in force from and after its publication in the Kansas register.

June 8, 2005

To: Legislative Budget Committee

STATE GENERAL FUND RECEIPTS July through May, FY 2005

This is the second monthly report of State General Fund (SGF) receipts for FY 2005 based upon the revised estimates made by the Consensus Revenue Estimating Group on April 18, 2005.

Total receipts through May of FY 2005 were \$75.6 million, or 1.8 percent above the estimate. The component of total SGF receipts from taxes only was \$72.6 million, or 1.7 percent above the estimate.

The figures in the "Estimate" and "Actual" columns under FY 2005 in the following table include actual receipts through March, so this report focuses on a comparison of the estimated and actual receipts for April and May. The estimated receipts for these two months were \$964.0 million. Actual receipts were \$1,039.6 million.

Tax sources that exceeded the estimate by more than \$1.0 million were individual income (\$36.9 million, or 2.0 percent), corporation income (\$25.3 million, or 16.3 percent), corporation franchise (\$7.5 million, or 19.8 percent), insurance premiums (\$4.9 million, or 6.8 percent), and compensating use (\$2.9 million, or 1.3 percent). Of particular note is the amount by which actual individual and corporation income tax receipts exceeded the estimate. The actual receipts reflect stronger than anticipated growth in both sources, and were not the result of any one extraordinary tax event (*i.e.*, an unusual corporate assessment).

Taxes falling below the estimate by more than \$1.0 million were retail sales (\$2.8 million, or 0.2 percent) and motor carriers property (\$2.1 million, or 9.2 percent).

Interest earnings were \$2.6 million less than expected. Agency earnings were above the estimate by \$5.6 million and net transfers by \$0.06 million.

Total SGF receipts through May of FY 2005 were \$279.6 million, or 6.9 percent above FY 2004's for the same period. **Tax receipts only, for the same period, exceeded FY 2004's by \$285.3 million, or 7.2 percent.**

This report excludes the deposit to the SGF of \$450 million, due to the issuance of a certificate of indebtedness that was issued on July 1, 2004. This certificate will be discharged prior to the end of the fiscal year.

STATE GENERAL FUND RECEIPTS
July-May, FY 2005
 (dollar amounts in thousands)

	Actual		FY 2005		Percent increase relative to:	
	FY 2004	Estimate*	Actual	Difference	FY 2004	Estimate
Property Tax:						
Motor Carriers	\$ 18,943	\$ 22,500	\$ 20,419	\$ (2,081)	7.8%	(9.2)%
General Property	8,451	500	507	7	(94.0)	1.4
Motor Vehicle	1,116	1,400	1,376	(24)	23.3	(1.7)
Total	\$ 28,510	\$ 24,400	\$ 22,302	\$ (2,098)	(21.8)%	(8.6)%
Income Taxes:						
Individual	\$ 1,706,668	\$ 1,812,000	\$ 1,848,914	\$ 36,914	8.3%	2.0%
Corporation	119,089	155,000	180,328	25,328	51.4	16.3
Financial Inst.	20,298	16,800	16,720	(80)	(17.6)	(0.5)
Total	\$ 1,846,055	\$ 1,983,800	\$ 2,045,961	\$ 62,161	10.8%	3.1%
Estate Tax	\$ 45,115	\$ 48,600	\$ 49,066	\$ 466	8.8%	1.0%
Excise Taxes:						
Retail Sales	\$ 1,479,012	\$ 1,511,000	\$ 1,508,246	\$ (2,754)	2.0%	(0.2)%
Comp. Use	200,808	223,000	225,947	2,947	12.5	1.3
Cigarette	109,059	107,500	106,746	(754)	(2.1)	(0.7)
Tobacco Prod.	4,344	4,525	4,551	26	4.8	0.6
Cereal Malt Bev.	1,971	1,900	1,871	(29)	(5.1)	(1.5)
Liquor Gallonage	14,450	14,200	14,315	115	(0.9)	0.8
Liquor Enforce.	36,296	38,700	37,983	(717)	4.6	(1.9)
Liquor Drink	6,539	6,850	6,791	(59)	3.9	(0.9)
Corp. Franchise	34,460	38,000	45,518	7,518	32.1	19.8
Severance	77,633	93,000	93,819	819	20.8	0.9
Gas	60,861	67,000	68,549	1,549	12.6	2.3
Oil	16,772	26,000	25,271	(729)	50.7	(2.8)
Total	\$ 1,964,572	\$ 2,038,675	\$ 2,045,788	\$ 7,113	4.1%	0.3%
Other Taxes:						
Insurance Prem.	\$ 71,153	\$ 72,800	\$ 77,728	\$ 4,928	9.2%	6.8%
Miscellaneous	3,545	3,400	3,388	(12)	(4.4)	(0.4)
Total	\$ 74,698	\$ 76,200	\$ 81,116	\$ 4,916	8.6%	6.5%
Total Taxes	\$ 3,958,950	\$ 4,171,675	\$ 4,244,233	\$ 72,558	7.2%	1.7%
Other Revenue:						
Interest	\$ 12,307	\$ 22,500	\$ 19,897	\$ (2,603)	61.7%	(11.6)%
Transfers (net)	\$ (15,760)	\$ (4,275)	\$ (4,269)	\$ 6	(72.9)	0.1
Agency Earnings and Misc.	\$ 96,919	\$ 66,550	\$ 72,169	\$ 5,619	(25.5)	8.4
Total	\$ 93,466	\$ 84,775	\$ 87,797	\$ 3,022	(6.1)%	3.6%
TOTAL RECEIPTS	\$ 4,052,416	\$ 4,256,450	\$ 4,332,030	\$ 75,580	6.9%	1.8%

* Consensus estimate as of April 18, 2005.

Excludes \$450 million to State General Fund due to issuance of a certificate of indebtedness.

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

KANSAS

DIVISION OF THE BUDGET
DUANE A. GOOSSEN, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

June 14, 2005

To: Governor Kathleen Sebelius and Legislative Budget Committee
From: Kansas Division of the Budget and Kansas Legislative Research Department
Re: Update to SGF Memo for FY 2005 (Revised) and FY 2006 (Revised)

The Consensus Estimating Group met today to update informally the estimates for FY 2005 and FY 2006 which were made on April 18 (and subsequently adjusted for legislation enacted during the veto session). The meeting was held at the request of the Governor and legislative leadership to analyze actual receipts since mid-April prior to the start of the special legislative session.

The update increased the estimates by \$86.0 million, or 1.8 percent, in each fiscal year. SGF receipts through May were more than \$75.0 million ahead of the adjusted estimate. Of this amount, approximately \$37.0 million is attributable to increases in individual income tax receipts; \$25.0 million in corporation income taxes; and \$8.0 million in corporation franchise taxes. Agency earnings also exceeded the estimate through May by nearly \$6.0 million. Stronger than anticipated tax receipts in May have, in general, been experienced by other states and the federal government.

The review of these and other major tax sources indicated that FY 2005 receipts are likely on pace to finish about \$86.0 million ahead of the previous estimate; and FY 2006 receipts would appear to be understated by approximately \$86.0 million. Thus, the informal finding of the group is that the combined estimate for FY 2005 and FY 2006 needs to be increased by \$172.0 million.

Final FY 2005 receipts will not be known until well into July, and the Consensus Group will not formally convene until this fall to review the FY 2006 estimate. The following factors were taken into consideration in the informal revisions of the estimates, which can be found in the attached tables.

Individual Income Tax

- Average balances due through May were running nearly \$100 ahead of the previous year. (Through April, average balances due had been running only \$7 ahead of the previous year.)

- The state received approximately 10,000 more remittances through May than in the previous year.
- By contrast, the state processed approximately the same number of refunds during this filing season compared to the previous year, but paid out only \$1.0 million more in refunds.
- Processing time was apparently three days slower in 2005, effectively pushing some receipts into May that otherwise would have been deposited in April.
- Strong growth in estimated payments and withholding in April and May also contributed to some of the unanticipated growth.

Corporation Income Tax

- The amount of balances due in April and May were nearly double (\$38.0 million versus \$19.0 million) the amount received a year earlier.
- Estimated payments also showed significant growth during these two months (\$37.0 million in April versus \$24.0 million in May).

Franchise Taxes

- Based on receipts through mid-April, the group had cut the franchise tax estimate for FY 2005 from \$48.0 million to \$40.0 million. Strong collections in late April and early May had receipts well in excess of \$45.0 million by the end of May.

Agency Earnings

- Unanticipated growth in agency earnings attributable to unclaimed property caused this source to be running almost \$6.0 million ahead of the estimate through May.

Table 1
Consensus Revenue Estimates for Fiscal Years 2005 and 2006, as Updated June 14, 2005
and FY 2004 Actual Receipts
(Dollars in Thousands)

	FY 2004 (Actual)		FY 2005 (Revised)		FY 2006 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	\$19,498	7.9 %	\$21,000	7.7 %	\$24,000	14.3 %
Motor Vehicle	1,541		1,400			
Ad Valorem	13,718		500			
Total	\$34,757		\$22,900		\$24,000	
Income Taxes:						
Individual	\$1,888,431	3.2	\$2,040,000	8.0	\$2,130,000	4.4 %
Corporation	141,173	50.3	205,000	45.2	210,000	2.4
Financial Inst.	25,435	(8.9)	22,000	(13.5)	22,000	--
Total	\$2,055,039	5.3 %	\$2,267,000	10.3 %	\$2,362,000	4.2 %
Estate Tax	\$48,064	(0.0) %	\$52,000	8.2 %	\$52,000	-- %
Excise Taxes:						
Retail Sales	\$1,612,067	9.6 %	\$1,650,000	2.4 %	\$1,700,000	3.0 %
Compensating Use	214,503	(8.2)	242,000	12.8	250,000	3.3
Cigarette	119,789	149.3	117,500	(1.9)	116,500	(0.9)
Tobacco Product	4,797	11.5	4,900	2.1	5,000	2.0
Cereal Malt Beverage	2,165	(9.0)	2,100	(3.0)	2,000	(4.8)
Liquor Gallonage	15,843	8.3	15,500	(2.2)	15,500	--
Liquor Enforcement	40,256	7.6	42,300	5.1	44,000	4.0
Liquor Drink	7,152	8.1	7,500	4.9	7,700	2.7
Corporate Franchise	36,806	99.0	46,000	25.0	46,000	--
Severance	84,641	52.0	101,200	19.6	102,200	1.0
Gas	66,054	58.1	71,700	8.5	72,700	1.4
Oil	18,587	33.8	29,500	58.7	29,500	--
Total	\$2,138,019	13.0 %	\$2,229,000	4.3 %	\$2,288,900	2.7 %
Other Taxes:						
Insurance Premium	\$106,864	25.8 %	\$102,000	(4.6) %	\$104,000	2.0 %
Miscellaneous	4,387	124.3	4,300	(2.0)	4,300	--
Total	\$111,251	28.0 %	\$106,300	(4.5) %	\$108,300	1.9 %
Total Taxes	\$4,387,130	9.8 %	\$4,677,200	6.6 %	\$4,835,200	3.4 %
Other Revenues:						
Interest	\$13,870		\$25,000		\$54,000	
Net Transfers	16,721		17,580		(15,153)	
Demand to Revenue Transfers	(62,699)		(70,593)		(73,783)	
Other Transfers	79,420		88,173		58,630	
Agency Earnings	101,005		74,000		66,152	
Total Other Revenue	\$131,596	17.7 %	\$116,580	(11.4) %	\$104,999	(9.9) %
Total Receipts	\$4,518,726	10.0 %	\$4,793,780	6.1 %	\$4,940,199	3.1 %

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Table 2
State General Fund Receipts
FY 2005 Revised, as Adjusted for Legislation, and Updated June 14, 2005
Comparison of April 2005 Estimate to June 2005 Update
(Dollars in Thousands)

	FY 2005 CRE Est. Revised 4/18/05 and Adjusted for Legislation	FY 2005 CRE Est. Adjusted for Legislation and Updated 6/14/05	Difference	
			Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$23,000	\$21,000	(\$2,000)	(8.7) %
Motor Vehicle	1,400	1,400	--	--
Ad Valorem	500	500	--	--
Total	\$24,900	\$22,900	(\$2,000)	(8.0) %
Income Taxes:				
Individual	\$1,997,000	\$2,040,000	\$43,000	2.2 %
Corporation	170,000	205,000	35,000	20.6
Financial Inst.	22,000	22,000	--	--
Total	\$2,189,000	\$2,267,000	\$78,000	3.6 %
Estate Tax	\$52,000	\$52,000	\$ --	-- %
Excise Taxes:				
Retail Sales	\$1,650,000	\$1,650,000	\$ --	-- %
Compensating Use	242,000	242,000	--	--
Cigarette	117,500	117,500	--	--
Tobacco Product	4,900	4,900	--	--
Cereal Malt Beverage	2,100	2,100	--	--
Liquor Gallonage	15,500	15,500	--	--
Liquor Enforcement	42,300	42,300	--	--
Liquor Drink	7,500	7,500	--	--
Corporate Franchise	40,000	46,000	6,000	15.0
Severance	101,200	101,200	--	--
Gas	71,700	71,700	--	--
Oil	29,500	29,500	--	--
Total	\$2,223,000	\$2,229,000	\$6,000	0.3 %
Other Taxes:				
Insurance Premium	\$102,000	\$102,000	\$ --	-- %
Miscellaneous	4,300	4,300	--	--
Total	\$106,300	\$106,300	\$ --	-- %
Total Taxes	\$4,595,200	\$4,677,200	\$82,000	1.8 %
Other Revenues:				
Interest	\$27,000	\$25,000	(\$2,000)	(7.4) %
Net Transfers	17,580	17,580	--	--
Demand to Revenue Transfers	(70,593)	(70,593)	--	--
Other Transfers	88,173	88,173	--	--
Agency Earnings	68,000	74,000	6,000	8.8
Total Other Revenue	\$112,580	\$116,580	\$4,000	3.6 %
Total Receipts	\$4,707,780	\$4,793,780	\$86,000	1.8 %

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Table 3
State General Fund Receipts
FY 2006 Revised, as Adjusted for Legislation, and Updated June 14, 2005
Comparison of April 2005 Estimate to June 2005 Update
(Dollars in Thousands)

	FY 2006 CRE Est. Revised 4/18/05 and Adjusted for Legislation	FY 2006 CRE Est. Adjusted for Legislation and Updated 6/14/05	Difference	
			Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$24,000	\$24,000	\$ --	-- %
Motor Vehicle	--	--	--	--
Ad Valorem	--	--	--	--
Total	\$24,000	\$24,000	\$ --	-- %
Income Taxes:				
Individual	\$2,085,000	\$2,130,000	\$45,000	2.2 %
Corporation	175,000	210,000	35,000	20.0
Financial Inst.	22,000	22,000	--	--
Total	\$2,282,000	\$2,362,000	\$80,000	3.5 %
Estate Tax	\$52,000	\$52,000	\$ --	-- %
Excise Taxes:				
Retail Sales	\$1,700,000	\$1,700,000	\$ --	-- %
Compensating Use	250,000	250,000	--	--
Cigarette	116,500	116,500	--	--
Tobacco Product	5,000	5,000	--	--
Cereal Malt Beverage	2,000	2,000	--	--
Liquor Gallonage	15,500	15,500	--	--
Liquor Enforcement	44,000	44,000	--	--
Liquor Drink	7,700	7,700	--	--
Corporate Franchise	40,000	46,000	6,000	15.0
Severance	102,200	102,200	--	--
Gas	72,700	72,700	--	--
Oil	29,500	29,500	--	--
Total	\$2,282,900	\$2,288,900	\$6,000	0.3 %
Other Taxes:				
Insurance Premium	\$104,000	\$104,000	\$ --	-- %
Miscellaneous	4,300	4,300	--	--
Total	\$108,300	\$108,300	\$ --	-- %
Total Taxes	\$4,749,200	\$4,835,200	\$86,000	1.8 %
Other Revenues:				
Interest	\$54,000	\$54,000	\$ --	-- %
Net Transfers	(15,153)	(15,153)	--	--
Demand to Revenue	(73,783)	(73,783)	--	--
Other Transfers	58,630	58,630	--	--
Agency Earnings	66,152	66,152	--	--
Total Other Revenue	\$104,999	\$104,999	\$ --	-- %
Total Receipts	\$4,854,199	\$4,940,199	\$86,000	1.8 %

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**STATE GENERAL FUND RECEIPTS, EXPENDITURES AND BALANCES
AS PROJECTED FY 2005-FY 2008**

In Millions

**(Reflects FY 2005 and FY 2006 Expenditure Action by Legislature and April Consensus Revenue Estimates
and June Updated Consensus Revenue Estimates)**

	Actual FY 2004	Revised FY 2005	Revised FY 2006	Projected FY 2007	Projected FY 2008
Beginning Balance	\$ 122.7	\$ 327.5	\$ 396.4	\$ 335.6	\$ 168.8
Released Encumbrances	2.4	0.0	0.0	0.0	0.0
Receipts (April 2005 Consensus, Adjusted for Legislation)	4,518.9	4,707.8	4,854.2	4,868.3	4,947.6
Informal Consensus Revenue Update - June 14, 2005	0.0	86.0	86.0	89.4	93.0
Additional SGF Revenue Receipts	0.0	0.0	0.0	0.0	0.0
Adjusted Receipts	4,518.9	4,793.8	4,940.2	4,957.7	5,040.6
Total Available	\$ 4,644.0	\$ 5,121.3	\$ 5,336.6	\$ 5,293.3	\$ 5,209.4
Less Additional Expenditures for School Finance - HB 2247	-	-	140.2	195.3	272.9
Supreme Court Ordered Spending by July 1, 2005	-	-	-	-	-
Less All Other Expenditures	4,316.5	4,724.9	4,860.8	4,929.2	5,017.8
Total Expenditures	4,316.5	4,724.9	5,001.0	5,124.5	5,290.7
Ending Balance	\$ 327.5	\$ 396.4	\$ 335.6	\$ 168.8	\$ (81.3)
Ending Balance as a Percentage of Expenditures	7.6%	8.4%	6.7%	3.3%	-1.5%

- 1) FY 2005 and FY 2006 expenditures as approved by the 2005 Legislature, including \$140.2 million for school finance - HB 2247.
- 2) FY 2007 and FY 2008 base receipts assume a four percent growth; and expenditures include out-year significant obligations (i.e., SRS and Aging caseloads).
- 3) Additional school finance expenditures - HB 2247; FY 2006 - \$140.2 million; FY 2007 - \$195.3 million; and FY 2008 - \$272.9 million (excludes Skills for Success, but including special education, local option budget and the CPI-U adjustments).
- 4) SGF receipts based on State General Fund Consensus Revenue Estimating Group estimate as of April, 2005, adjusted for legislation, and the June 14, 2005 informal update.

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STATE GENERAL FUND RECEIPTS, EXPENDITURES AND BALANCES
AS PROJECTED FY 2005-FY 2008

In Millions

(Reflects FY 2005 and FY 2006 Expenditure Action by Legislature and April Consensus Revenue Estimates and June Updated Consensus Revenue Estimates, Plus Court Ordered Spending)

	Actual FY 2004	Revised FY 2005	Revised FY 2006	Projected FY 2007	Projected FY 2008
Beginning Balance	\$ 122.7	\$ 327.5	\$ 396.4	\$ 192.5	\$ (117.4)
Released Encumbrances	2.4	0.0	0.0	0.0	0.0
Receipts (April 2005 Consensus, Adjusted for Legislation)	4,518.9	4,707.8	4,854.2	4,868.3	4,947.6
Informal Consensus Revenue Update - June 14, 2005	0.0	86.0	86.0	89.4	93.0
Additional SGF Revenue Receipts	0.0	0.0	0.0	0.0	0.0
Adjusted Receipts	4,518.9	4,793.8	4,940.2	4,957.7	5,040.6
Total Available	\$ 4,644.0	\$ 5,121.3	\$ 5,336.6	\$ 5,150.2	\$ 4,923.2
Less Additional Expenditures for School Finance - HB 2247	-	-	140.2	195.3	272.9
Less Supreme Court Ordered Spending by July 1, 2005	-	-	143.1	143.1	143.1
Less All Other Expenditures	4,316.5	4,724.9	4,860.8	4,929.2	5,017.8
Total Expenditures	4,316.5	4,724.9	5,144.1	5,267.6	5,433.8
Ending Balance	\$ 327.5	\$ 396.4	\$ 192.5	\$ (117.4)	\$ (510.6)
Ending Balance as a Percentage of Expenditures	7.6%	8.4%	3.7%	-2.2%	-9.4%

- 1) FY 2005 and FY 2006 expenditures as approved by the 2005 Legislature, including \$140.2 million for school finance and \$143.1 million as ordered by the Supreme Court.
- 2) FY 2007 and FY 2008 base receipts assume a four percent growth; and expenditures include out-year significant obligations (*i.e.*, SRS and Aging caseloads).
- 3) Additional school finance expenditures - HB 2247; FY 2006 - \$140.2 million; FY 2007 - \$195.3 million; and FY 2008 - \$272.9 million (excludes Skills for Success, but including special education, local option budget and the CPI-U adjustments).
- 4) SGF receipts based on State General Fund Consensus Revenue Estimating Group estimate as of April, 2005, adjusted for legislation, and the June 14, 2005 informal update.

June 17, 2005

STATE GENERAL FUND OUTYEAR DEMANDS

● Out-Year Demands on State General Fund Resources:

- **KPERS pension obligation bonds** (\$0.5 billion in bonds issued in 2004)
 - FY 2007 - \$15.0 million, **an increase of \$5.0 million**
 - FY 2008 - \$26.1 million, **an increase of \$11.1 million**
 - FY 2009 through FY 2034 - \$36.1 million, an increase of \$10.0 million in FY 2009)

- **KPERS increased employer contributions** (Statutory cap for state and school employer contribution increases from 0.2 percent annually to 0.4 percent in FY 2006; 0.5 percent in FY 2007; and 0.6 percent in FY 2008 and subsequent year, plus normal growth in the covered payroll):
 - FY 2007 - **an increase of \$31.0 million**
 - FY 2008 - **an increase of \$29.0 million**

- **KDOT Sales Tax Transfer** - Department of Transportation (Comprehensive Transportation Plan) State General Fund (Sales Tax) direct deposit to the State Highway Fund. The transfer amount is 0.25 percent in FY 2006; 0.38 percent in FY 2007; and 0.65 percent in FY 2008 thereafter:
 - FY 2007 - \$150.9 million, **an increase of \$51.5 million**
 - FY 2008 - \$267.1 million, **an increase of \$115.5 million**

- **KDOT Bond Payment** - Additional bonding authority granted by the 2004 Legislature to ensure the funding stream for the Comprehensive Transportation Plan:
 - FY 2007 - \$8.0 million
 - FY 2008 - \$11.0 million

- **KDOT Loan Repayment** - A repayment to the State Highway Fund for a diversion of State General Fund resources from the old demand transfer (\$94.6 million) and for operational support of the Kansas Highway Patrol (\$31.0 million); the loan is to be repaid over a four-year period:
 - FY 2007 - \$32.5 million
 - FY 2008 - \$30.9 million
 - FY 2009 - \$31.2 million
 - FY 2010 - \$30.9 million

- **Regents Research Initiative** - Bond payments for Regents research facilities:
 - FY 2006 - \$4.9 million
 - FY 2007 - \$10.0 million
 - FY 2008 - \$10.0 million

- **Annualize FY 2006 State Employee Salary Increase** (funding for a 2.5 percent salary increase was only financed for six months):
 - FY 2007 - \$11.9 million

- **Department of Education** - Additional funding for School Finance - HB 2247. Special Education was raised to 88 percent in FY 2007 and to 91 percent in FY 2008. The Local Option Budget was raised to 88 percent in FY 2007 and to 91 percent in FY 2008. An inflation factor also begins in FY 2008, which is the Consumer Price Index-Urban.
 - FY 2007 - \$71.1 million
 - FY 2008 - \$77.6 million

- **Summary of Identified Out-Year Demands:**
 - FY 2007 - \$208.1 million
 - FY 2008 - \$223.5 million

- **Other Selected Potential Demands on the State Budget:**
 - SRS and Aging caseload increases - \$50 million estimated
 - Funding for K-12 education (base state aid per pupil, special education, and capital improvement aid)
 - Higher education - Funding for the Higher Education Reform Act
 - State employee health insurance
 - State employee salary increases