

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:40 A.M. on January 11, 2006, in Room 123-S of the Capitol.

All members were present except:

- Senator Jim Barone- excused
- Senator Vicki Schmidt- excused
- Senator David Wysong- excused

Committee staff present:

- Jill Wolters, Revisor of Statutes Office
- Michael Corrigan, Revisor of Statutes Office
- Alan Conroy, Director, Kansas Legislative Research Department
- J. G. Scott, Kansas Legislative Research Department
- Reagan Cussimano, Kansas Legislative Research Department
- Audrey Dunkel, Kansas Legislative Research Department
- Judy Bromich, Chief of Staff
- Mary Shaw, Committee Secretary

Conferees appearing before the committee: none

Others attending:

See attached list.

Chairman Umbarger welcomed Alan Conroy, Director, Kansas Legislative Research Department, who presented an overview of the Status of the State General Fund, In-Brief, (Attachment 1). Mr. Conroy distributed copies of the following information:

- A letter addressed to Governor Kathleen Sebelius and the Legislative Budget Committee from the Kansas Legislative Research Department and the Kansas Division of the Budget regarding the State General Fund Receipts for FY 2006 (Revised) and FY 2007 (Attachment 2).
- A letter addressed to the Legislative Budget Committee regarding the State General Fund (SGF) Receipts, July through December, FY 2006 (Attachment 3).
- State General Fund Receipts, Expenditures and Balances as Projected FY 2004 - FY 2008, in millions, (Reflects the Estimates of the Consensus Revenue Estimating Group as of November 3, 2005) (Attachment 4).
- State General Fund Receipts, Expenditures and Balances as Projected FY 2004 - FY 2008, in millions, (Reflects the Estimates of the Consensus Revenue Estimating Group as of November 3, 2005) (Attachment 5).

Mr. Conroy made a note that the information he was presenting focused on State General Fund Receipts rather than the expenditure side, nor on the Governor's Budget Recommendations that came out the day before which will be available in the coming weeks. He mentioned that FY 2005 actual ending balance was \$478.7 million, or 10.2 percent of expenditures.

In the memorandum addressed to the Legislative Budget Committee, Mr. Conroy provided details regarding Kansas personal income, employment, agriculture, oil and gas, inflation rates and interest rates.

Mr. Conroy detailed information regarding the FY 2006 profile expenditure adjustments:

- Allowing for revised Aging and Social and Rehabilitation Services caseload estimates and school finance estimates are projecting savings (mainly due to less-than-anticipated military dependents and higher-than-anticipated valuation increases); Projected ending balance of \$488.8 or 9.5 percent of expenditures.

## CONTINUATION SHEET

MINUTES OF THE Senate Ways and Means Committee at 10:40 A.M. on January 11, 2006, in Room 123-S of the Capitol.

and, FY 2007 profile expenditure adjustments:

- Allowing for previously authorized demands (KPERs, Comprehensive Transportation Plan, Aging and Social and Rehabilitation Services caseload estimates; annualization of FY 2006 State employee salary increase, etc.), but no Local Ad Valorem Tax Reduction Fund or County-City Revenue Sharing Fund payments; and
- If a 7.5 percent ending balance is maintained (\$396.4 million) then all other expenditures could be increased by \$68.0 million; or
- If the 7.5 percent ending balance is not satisfied then the ending balance would be \$283.4 million or 5.2 percent of expenditures, which would be an additional spending of \$181.0 million, but your projected ending balance in FY 2008 would be zero.

Mr. Conroy noted that K-12 and other demands on the State General Fund are still there. The Chairman thanked Mr. Conroy for his presentation before the Committee. Concern was expressed regarding agriculture in that predictions are that there may be an increase in farm foreclosures.

The meeting adjourned at 11:20 a.m. The next meeting was scheduled for January 12, 2006.

**SENATE WAYS AND MEANS  
GUEST LIST**

Date January 11, 2006

NAME	REPRESENTING
Ron Segher	Hein Law Firm
Julia Thomas	DOB
Carolyn Mendenhall	KSB/BA
Shelley Sweeney	ACM HCK
Mark Tallman	RASB
Mike Huttles	HGT, Inc.
MARK BOZANYAK	CAPITOL STRATEGIES
CHRIS SHEPARD	DAMRON & ASSOCIATES
Derek Helm	Hein Law Firm
Ali Sultani	Intern for Sen. V. Schmidt

**STATUS of the STATE GENERAL FUND IN-BRIEF**

- Actual FY 2005 State General Fund receipts and expenditures:
  - Receipts were \$47.5 million or 1.0 percent above the estimate for FY 2005 (including the "informal" estimate of June, 2005); Of the higher than estimated receipts - \$21.1 million was in corporation income; and \$10.6 million in individual income;
  - Corporate estimated only income tax payments in FY 2005 exceeded estimated payments in FY 2004 by \$57 million or 43 percent, while individual estimated income tax payments in FY 2005 were 10.1 percent above FY 2004 payments. FY 2005 individual income tax withholding payments grew at the rate of 6.1 percent above FY 2004. June, 2005 corporate income tax receipts were the strongest June since 2000. Estimated and withholding payments are key to an expanding state economy.
  - Expenditures were \$34.8 million less than the approved amount by the 2005 Legislature;
  - FY 2005 actual ending balance was \$478.7 million or 10.2 percent of expenditures. Highest previous ending balance was in FY 1999 at \$540.7 million.
- The Consensus Revenue Estimating Group met on November 3, 2005 and adjusted:
  - FY 2006 (current year) State General Fund estimated receipts were increased \$221.0 million or 4.5 percent; Largest positive fall current year revision upward since the Consensus Revenue Estimating Group began meeting in 1975 ;
  - Individual income tax estimate was increased \$100 million; corporate income tax was increased \$50 million; and sales and use tax estimates were increased \$15 million each;
  - FY 2007 estimate projected increased receipts of \$60.4 million or 1.2 percent; Small increase influenced by slower growth rate, sales tax receipts deposited directly to the State Highway Fund and increases in net transfers, in part, related to the Comprehensive Transportation Plan;
  - State General Fund receipts through the end of December were \$24.2 million or 1.0 percent above the estimate; State General Fund taxes only receipts were \$32.8 million or 1.3 percent above the estimate through December.
- FY 2006 profile expenditure adjustments:
  - Allowing for revised Aging and Social and Rehabilitation Services caseload estimates and school finance estimates are projecting savings (mainly due to less-than-anticipated military dependents and higher-than-anticipated valuation increases); Projected ending balance of \$488.8 million or 9.5 percent of expenditures.
- FY 2007 profile expenditure adjustments:
  - Allowing for previously authorized demands (KPERS, Comprehensive Transportation Plan, Aging and Social and Rehabilitation Services caseload estimates; annualization of FY 2006 State employee salary increase, etc.), but no Local Ad Valorem Tax Reduction Fund or County-City Revenue Sharing Fund payments; and
  - If you maintain 7.5 percent ending balance (\$396.4 million) then all other expenditures could be increased by **\$68.0 million**; or
  - If the 7.5 percent ending balance is **not** satisfied then the ending balance would be \$283.4 million or 5.2 percent of expenditures, which would be an additional spending of **\$181.0 million**, but your projected ending balance in FY 2008 would zero.

# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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November 9, 2005

**To:** Governor Kathleen Sebelius and Legislative Budget Committee

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

**Re:** State General Fund Receipts for FY 2006 (Revised) and FY 2007

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 November 3, 2005, and significantly increased the FY 2006 estimate and developed the first estimate for FY 2007.

For FY 2006, the estimate was increased by \$221.0 million, or 4.5 percent, above the previous estimate (made in June and subsequently adjusted for legislation enacted during the special session). The overall revised estimate of \$5.158 billion represents a 6.5 percent growth forecast above actual FY 2005 SGF receipts.

The initial SGF estimate for FY 2007 is \$5.218 billion, which is \$60.4 million, or 1.2 percent, above the newly revised FY 2006 figure. A number of factors influence the reduced FY 2007 growth rate, including legislation enacted in 2004 that reduces the amount of sales and use tax receipts deposited directly into the SGF; and significant increases in net transfers as a result of loan repayments to the Kansas Department of Transportation and other agencies.

## **Economic Forecast for Kansas**

The Kansas economy is expected to continue to grow at a relatively robust rate for the balance of FY 2006 as the state continues to recover from the recession. Estimates of nominal Kansas Personal Income (KPI) growth for 2005 and 2006 (5.9 and 5.4 percent) are up substantially from the estimates used by the group in the spring (5.5 and 5.1 percent) for the same two calendar years. A healthy overall employment picture and a modest recovery in the aviation manufacturing sector are expected in the short term to continue to cause income tax withholding and consumer spending to grow at levels not seen since the late 1990s. Although economic growth is expected to continue throughout FY 2007 and beyond, the rate of growth will be declining. Estimates are that Kansas Gross State Product will grow by 5.8 percent in 2005, 5.2 percent in 2006, and 4.7 percent in 2007. The Consensus estimates contained herein are based on a number of such assumptions regarding a moderating rate of growth in the national and state economies.

*Senate Ways and Means  
1-11-06  
Attachment 2*

## **Kansas Personal Income**

KPI in 2004 grew by 5.0 percent over the 2003 level. After estimated KPI growth of 5.9 percent for 2005, the growth rate is expected to decelerate to 5.4 percent for 2006; and to decrease again to 5.1 percent for 2007. Current estimates are that overall U.S. personal income growth will be 5.9 percent for 2005, 6.5 percent for 2006, and 5.7 percent for 2007.

## **Employment**

The employment outlook for Kansas remains healthy. The overall Kansas unemployment rate, which was 5.4 percent in FY 2005, is expected to be 5.2 percent in FY 2006 before dropping to 5.1 percent in FY 2007. Year-over-year job growth continued in September, 2005, for the 19<sup>th</sup> consecutive month, and the average annual number of Kansans employed in FY 2006 is expected to exceed 1.4 million for the first time in state history.

## **Agriculture**

The All Farm Products Index of Prices received by Kansas farmers was 107 in September, compared with 104 a year ago. Kansas' 2005 wheat crop, which was 380 million bushels, represents a 21 percent higher yield than the 2004 crop. High levels of corn, sorghum, and soybean production are expected to push the final 2005 total production of Kansas' four major grain crops to 1.09 billion bushels. Beef prices through September were running significantly ahead of the previous year, although fewer cattle had been marketed thus far in 2005. Higher energy costs remain of a major concern for the agricultural sector, as does export capacity following the summer and fall hurricanes.

## **Oil and Gas**

The average price per taxable barrel of Kansas crude oil is estimated to be \$55.00 for FY 2006 and \$50.00 for FY 2007. 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 34 million barrels per year. 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 at historically high levels over the summer and fall because of hurricanes and other market forces, is expected to average \$7 per mcf for FY 2006 before declining to \$6.25 per mcf for FY 2007, based on an industry source's analysis of futures markets. Notwithstanding these high prices, production is expected to continue to decline for the foreseeable future as natural gas reserves, especially those in the Hugoton field, are depleted. Natural gas production in FY 2005 of 394 million cubic feet represented a continuing decrease from the recent peak of 730 million cubic feet in FY 1996. The current forecast is for 360 million cubic feet for FY 2006 and 335 million cubic feet for FY 2007.

## **Inflation Rate**

The Consumer Price Index for all Urban consumers (CPI-U) is expected to increase by 3.5 percent in 2005. Unexpected energy price increases attributable to hurricanes and their disruption of energy supplies have caused this figure to be revised upward from the 2.4 percent estimate used last spring. The national forecasts for both 2006 and 2007 call for inflation to return to more moderate levels, 2.8 percent and 2.5 percent, respectively, once the energy supply disruptions have ended.

## Interest Rates

The Pooled Money Investment Board is authorized to make investments in U.S. Treasury and Agency securities, highly rated commercial paper, repurchase agreements, and certificates of deposit of Kansas banks. In FY 2005, the state earned 2.27 percent on its SGF portfolio. The average rate of return forecasted for FY 2006 is 3.57 percent. For FY 2007, the forecasted rate is expected to continue to increase to 4.53 percent.

### Economic Forecasts

	CY 04	CY 05*	CY 06*	CY 07*
KPI Growth	5.0%	5.9%	5.4%	5.1%
Inflation (CPI-U)	2.7%	3.5%	2.8%	2.5%
		FY 05	FY 06*	FY 07*
SGF Interest		2.27%	3.57%	4.53%
Oil and Gas				
Oil Price per bbl	\$	44.46 \$	55.00 \$	50.00
Gross Prod. (000)		33,485	34,000	34,000
Gas Price per mcf	\$	5.13 \$	7.00 \$	6.25
Gas Taxable Value		1,863,574	2,318,400	1,926,250

\* Estimated

## Attached Tables

Table 1 compares the revised FY 2006 and new FY 2007 estimates with actual receipts from FY 2005. Table 2 shows the changes in the FY 2006 estimates relative to the June 14 estimates as subsequently adjusted for legislation enacted during the special session.

## State General Fund Receipts Estimates

**FY 2006.** The revised estimate of SGF receipts for FY 2006 is \$5.158 billion, an increase of \$221.0 million from the previous estimate. It should be noted that the June informal revision for FY 2006 had added \$86 million to the previous estimate made in April. Thus, the new estimate – which factors in all legislation approved during the veto and special sessions – is \$307.0 million more than the April estimate. As noted previously, the overall revised SGF estimate represents a 6.5 percent growth forecast above final FY 2005 receipts. Details of the revised estimate are reflected in Tables 1 and 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.

The estimate of total taxes was increased by \$214.7 million, while the estimate of "other revenue" was increased by \$6.3 million. Five tax sources – individual income, corporation income, sales, compensating use, and severance – accounted for \$208.9 million of the increase.

The estimate for individual income taxes was increased by \$100 million. A number of factors contributed to this upward revision, including the increased KPI growth projection, significant growth in withholding tax receipts, and the fact that receipts through October were running \$46 million above the prior fiscal-year-to-date estimate. Final FY 2005 receipts for this source grew by 8.6 percent over the previous year and finished \$10.6 million above the final (June) estimate and \$53.9 million ahead of the April estimate. The revised FY 2006 forecast represents 8.8 percent growth above the actual FY 2005 figure.

The estimate for corporation income taxes, which were running almost \$29 million ahead of the prior fiscal-year-to-date estimate through October, was increased by \$50 million. Continued strong corporate profit forecasts for the balance of 2005, coupled with the overall rebound in the Kansas economy and employment, are among the factors contributing to the recovery in receipts from this source -- now estimated to be \$260 million for FY 2006. Corporation income tax receipts were less than \$94 million as recently as FY 2002.

The sales and use tax estimates were each increased by \$15.0 million, based on strong fiscal-year-to-date receipts. The Department of Revenue reported that more than 80 retailers have voluntarily registered to collect use taxes since October 1, a fact that also contributed to the increase in that estimate. The sales tax growth rate is expected to moderate over the winter relative to the early months of this fiscal year because of the energy price increases and the fact that purchases of motor fuel and residential utility services are exempt from the sales tax.

The overall severance tax estimate was increased by \$28.9 million, with \$20.7 million from the revised natural gas estimate and \$8.2 million from the new oil tax estimate. As noted previously, the change is primarily attributable to the historically high prices for both of these commodities.

The insurance premiums tax estimate also was increased by \$6.0 million. Receipts from this source exceeded the final FY 2005 estimate by more than \$4.8 million.

The aforementioned higher SGF interest rate and increased balances led to an increase of \$8.8 million in interest earnings.

On the negative side, the estimate for agency earnings was decreased by about \$6.2 million; and the estimates for the motor carrier property tax, the estate tax, and the corporation franchise tax were decreased by a combined \$4.0 million.

**FY 2007.** SGF receipts are estimated to be \$5.218 billion in FY 2007, an increase of \$60.4 million or 1.2 percent when compared to the newly revised FY 2006 figure. The growth would have been \$52.7 million more if not for legislation enacted in 2004 that reduced the share of sales and use taxes earmarked for the SGF. The aforementioned loan repayments accounted for \$32.5 million of the increase in transfers out of the SGF. In fact, the reduced growth rate in overall SGF receipts from FY 2006 to FY 2007 is heavily influenced by the more than \$100 million negative change in the net transfers forecast. Severance tax receipts also are expected to decline by almost \$20 million because of slightly lower than expected prices of both oil and gas and decreased production of gas. The individual income tax forecast takes into consideration more modest growth in the economy and in KPI. Corporation income tax receipts are expected to remain at the same level as the previous year, based in part on estimates of little or no growth in corporate profits during 2006. Details of the FY 2007 estimate are shown in Table 1.



**FY 2008 and thereafter.** Although the Consensus Group will not make its initial estimate for FY 2008 until next fall, worthy of note is the fact that a number of provisions in previously enacted legislation will reduce SGF receipts beginning in FY 2008. The 2004 legislation relating to the amount of sales and use taxes deposited in the SGF will be expected to reduce FY 2008 receipts from these sources by a combined \$43.5 million below FY 2007 receipts. Given a 3.5 percent growth assumption, FY 2008 SGF receipts will be \$168.0 million less than they would have been if the 2004 legislation had not been enacted. Legislation enacted in 2002 that conforms the Kansas estate tax exemption threshold with the federal exemption threshold is expected to reduce receipts by \$8.5 million in FY 2008; \$11.2 million in FY 2009; and \$14.7 million in FY 2010. Legislation enacted in 2002 that also increased the tax credit for property taxes paid on commercial and industrial machinery and equipment is expected to reduce receipts by \$5.0 million in FY 2008; \$5.8 million in FY 2009; and \$6.7 million in FY 2010. Legislation enacted in 2005 will reduce the amount of water tax receipts deposited in the SGF by \$2.6 million in both FY 2008 and FY 2009; and by \$2.7 million in FY 2010. Additional legislation enacted in 2005 will reduce severance tax receipts to the SGF by \$5.2 million in FY 2009 and \$7.5 million in FY 2010.

### **Accuracy of Consensus Revenue Estimates**

For 31 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 November 3, 2005, 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
2004	4,605.5	4,450.5	4,518.7	(86.8)	(1.9)	68.2	1.5
2005	4,490.5	4,793.8	4,841.3	350.8	7.8	47.5	1.0

\* 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, April or June 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.

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. The Consensus Group will meet again in April to revise these estimates. Developments which occur between the November and April meeting will be taken into account at that time.

**Table 1**  
**State General Fund Receipts**  
*(Dollars In Thousands)*

	Consensus Estimates, November 3, 2005					
	FY 2005 (Actual)		FY 2006 (Revised)		FY 2007	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
<b>Property Tax:</b>						
Motor Carrier	\$20,454	4.9 %	\$22,000	7.6 %	\$23,000	4.5 %
Motor Vehicle	1,801	(96.1)	25	--	--	--
Ad Valorem	538	16.9	775	--	--	--
Total	<u>\$22,793</u>	<u>(34.4) %</u>	<u>\$22,800</u>	<u>0.0 %</u>	<u>\$23,000</u>	<u>0.9 %</u>
<b>Income Taxes:</b>						
Individual	\$2,050,562	8.6 %	\$2,230,000	8.8 %	\$2,360,000	5.8 %
Corporation	226,072	60.1	260,000	15.0	260,000	--
Financial Inst.	22,063	(13.3)	23,000	4.2	24,000	4.3
Total	<u>\$2,298,697</u>	<u>11.9 %</u>	<u>\$2,513,000</u>	<u>9.3 %</u>	<u>\$2,644,000</u>	<u>5.2 %</u>
Estate Tax	\$51,853	7.9 %	\$51,000	(1.6) %	\$52,000	2.0 %
<b>Excise Taxes:</b>						
Retail Sales	\$1,647,663	2.2 %	\$1,715,000	4.1 %	\$1,729,000	0.8 %
Compensating Use	244,755	14.1	265,000	8.3	268,000	1.1
Cigarette	118,979	(0.7)	118,000	(0.8)	117,000	(0.8)
Tobacco Products	5,039	5.0	5,000	(0.8)	5,000	--
Cereal Malt Bev.	2,077	(4.1)	2,000	(3.7)	2,000	--
Liquor Gallonage	15,736	(0.7)	16,000	1.7	16,000	--
Liquor Enforcement	41,904	4.1	44,000	5.0	45,500	3.4
Liquor Drink	7,444	4.1	7,700	3.4	7,900	2.6
Corp. Franchise	47,095	28.0	45,000	(4.4)	46,000	2.2
Severance	103,390	22.2	131,100	26.8	111,800	(14.7)
Gas	75,415	14.2	93,400	23.8	77,600	(16.9)
Oil	27,975	50.5	37,700	34.8	34,200	(9.3)
Total	<u>\$2,234,082</u>	<u>4.5 %</u>	<u>\$2,348,800</u>	<u>5.1 %</u>	<u>\$2,348,200</u>	<u>-- %</u>
<b>Other Taxes:</b>						
Insurance Prem.	\$106,828	-- %	\$110,000	3.0 %	\$112,000	1.8 %
Miscellaneous	4,291	(2.2)	4,300	0.2	4,300	--
Total	<u>\$111,119</u>	<u>(0.1) %</u>	<u>\$114,300</u>	<u>2.9</u>	<u>\$116,300</u>	<u>1.7 %</u>
Total Taxes	\$4,718,544	7.6 %	\$5,049,900	7.0 %	\$5,183,500	2.6 %
<b>Other Revenues:</b>						
Interest	\$23,257	67.7 %	\$62,800	170.0 %	\$87,300	39.0 %
Net Transfers	23,562	40.9	(14,800)	--	(115,000)	--
Agency Earnings	75,908	(24.8)	60,000	(21.0)	62,500	4.2
Total	<u>\$122,727</u>	<u>(6.7) %</u>	<u>\$108,000</u>	<u>(12.0) %</u>	<u>\$34,800</u>	<u>42.0 %</u>
Total Receipts	<u><u>\$4,841,271</u></u>	<u><u>7.1 %</u></u>	<u><u>\$5,157,900</u></u>	<u><u>6.5 %</u></u>	<u><u>\$5,218,300</u></u>	<u><u>1.2 %</u></u>

Table 2

**State General Fund Receipts – Comparison of Estimates for FY 2006**  
**Made on June 14, 2005, as adjusted, with those made on November 3, 2005**  
*(Dollars in Thousands)*

	Estimate* 6/14/05	Revised Estimate 11/3/05	Difference	
			Amount	Percent Change
<b>Property Tax:</b>				
Motor Carrier	\$24,000	\$22,000	\$(2,000)	(8.3) %
Motor Vehicle	--	25	25	--
Ad Valorem	--	775	775	--
Total	\$24,000	\$22,800	\$(1,200)	(5.0) %
<b>Income Taxes:</b>				
Individual	\$2,130,000	\$2,230,000	\$100,000	4.7 %
Corporation	210,000	260,000	50,000	23.8
Financial Inst.	22,000	23,000	1,000	4.5
Total	\$2,362,000	\$2,513,000	\$151,000	6.4 %
Estate Tax	\$52,000	\$51,000	\$(1,000)	(1.9) %
<b>Excise Taxes:</b>				
Retail Sales	\$1,700,000	\$1,715,000	\$15,000	0.9 %
Compensating Use	250,000	265,000	15,000	6.0
Cigarette	116,500	118,000	1,500	1.3
Tobacco Products	5,000	5,000	--	--
Cereal Malt Beverage	2,000	2,000	--	--
Liquor Gallonage	15,500	16,000	500	3.2
Liquor Enforcement	44,000	44,000	--	--
Liquor Drink	7,700	7,700	--	--
Corp. Franchise	46,000	45,000	(1,000)	(2.2)
Severance	102,200	131,100	28,900	28.3
Gas	72,700	93,400	20,700	28.5
Oil	29,500	37,700	8,200	27.8
Total	\$2,288,900	\$2,348,800	\$59,900	2.6 %
<b>Other Taxes:</b>				
Insurance Premium	\$104,000	\$110,000	\$6,000	5.8 %
Miscellaneous	4,300	4,300	--	--
Total	\$108,300	\$114,300	\$6,000	5.5 %
<b>Total Taxes</b>	<b>\$4,835,200</b>	<b>\$5,049,900</b>	<b>\$214,700</b>	<b>4.4 %</b>
<b>Other Revenues:</b>				
Interest	\$54,000	\$62,800	\$8,800	16.3 %
Net Transfers	(18,432)	(14,800)	3,632	--
Agency Earnings	66,152	60,000	(6,152)	(9.3)
Total Other Revenue	\$101,720	\$108,000	\$6,280	6.2 %
<b>Total Receipts</b>	<b>\$4,936,920</b>	<b>\$5,157,900</b>	<b>\$220,980</b>	<b>4.5 %</b>

\* As adjusted for legislation enacted during the 2005 Special Session.

# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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January 6, 2006

To: Legislative Budget Committee

## STATE GENERAL FUND (SGF) RECEIPTS July through December, FY 2006

This is the second monthly report based on the revised estimate of SGF receipts in FY 2006 made by the Consensus Revenue Estimating Group on November 3, 2005. The figures in both the "Estimate" and "Actual" columns under FY 2006 on the following table include actual amounts received in July-October. Thus, the report essentially deals with the difference between the estimated and actual receipts in November and December.

**Total receipts through December of FY 2006 were \$24.2 million, or 1.0 percent, above the estimate.** The component of SGF receipts from taxes only was \$31.8 million, 1.3 percent, above the estimate. Total receipts through November of FY 2006 were \$6.9 million, or 0.3 percent, above the estimate and taxes only were \$0.5 million, or 0.0 percent, above the estimate.

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

Taxes that **exceeded** the estimate by more than \$1.0 million were: corporate income (\$29.4 million, or 25.6 percent); insurance premiums (\$2.8 million, or 6.6 percent); estate (\$2.0 million, or 8.4 percent); and severance (\$1.6 million, or 2.5 percent). December is an estimated corporate income tax payment month, and the amount of such payments last month represented the highest December amount in over 20 years. The estate tax receipts were influenced by one payment in excess of \$1.5 million.

Taxes that fell **below** the estimate by more than \$1.0 million were individual income (\$1.9 million, or 0.2 percent) and retail sales (\$1.6 million, or 0.2 percent).

Interest earnings and agency earnings both fell below the estimate by \$1.4 million and \$7.5 million, respectively. Net receipts from unclaimed property, part of agency earnings, were less than anticipated. Net transfers were \$1.4 million greater than expected.

**Total SGF receipts through December of FY 2006 were \$215.0 million, or 9.5 percent, above FY 2005 for the same period. Tax receipts only for the same period exceeded FY 2005 by \$214.4 million, or 9.7 percent.** Individual income and corporate income taxes increased by

\$90.4 million (9.7 percent) and \$53.2 million (58.4 percent), respectively, when comparing this period to the same period in FY 2005. Retail sales taxes increased by \$38.2 million (4.6 percent), again, when comparing the July through December receipts of FY 2006 to FY 2005.

This report excludes the July 1 deposit to the SGF of \$450 million pursuant to issuance of a certificate of indebtedness. That certificate will be discharged prior to the end of the fiscal year.

**STATE GENERAL FUND RECEIPTS**  
**July-December, FY 2006**  
(dollar amounts in thousands)

	Actual	FY 2006			Percent increase relative to:	
	FY 2005	Estimate*	Actual	Difference	FY 2005	Estimate
<b>Property Tax:</b>						
Motor Carriers	\$ 12,350	\$ 13,000	\$ 13,283	\$ 283	7.6%	2.2%
General Property	438	25	24	(1)	(94.6)	(5.1)
Motor Vehicle	924	775	983	208	6.3	26.8
<b>Total</b>	<b>\$ 13,712</b>	<b>\$ 13,800</b>	<b>\$ 14,289</b>	<b>\$ 489</b>	<b>4.2%</b>	<b>3.5%</b>
<b>Income Taxes:</b>						
Individual	\$ 928,678	\$ 1,021,000	\$ 1,019,070	\$ (1,930)	9.7%	(0.2)%
Corporation	91,001	114,800	144,225	29,425	58.5	25.6
Financial Inst.	7,996	11,800	11,922	122	49.1	1.0
<b>Total</b>	<b>\$ 1,027,676</b>	<b>\$ 1,147,600</b>	<b>\$ 1,175,216</b>	<b>\$ 27,616</b>	<b>14.4%</b>	<b>2.4%</b>
Estate Tax	\$ 32,535	\$ 24,000	\$ 26,020	\$ 2,020	(20.0)%	8.4%
<b>Excise Taxes:</b>						
Retail Sales	\$ 827,253	\$ 867,000	\$ 865,428	\$ (1,572)	4.6%	(0.2)%
Comp. Use	117,896	135,000	134,048	(952)	13.7	(0.7)
Cigarette	59,192	60,000	59,342	(658)	0.3	(1.1)
Tobacco Prod.	2,599	2,550	2,519	(31)	(3.1)	(1.2)
Cereal Malt Bev.	1,108	1,085	1,083	(2)	(2.3)	(0.2)
Liquor Gallonage	8,103	8,350	8,710	360	7.5	4.3
Liquor Enforce.	20,997	22,100	21,687	(413)	3.3	(1.9)
Liquor Drink	3,626	3,850	3,859	9	6.4	0.2
Corp. Franchise	12,930	10,000	10,150	150	(21.5)	1.5
Severance	49,650	62,700	64,290	1,590	29.5	2.5
Gas	36,273	44,500	46,930	2,430	29.4	5.5
Oil	13,377	18,200	17,360	(840)	29.8	(4.6)
<b>Total</b>	<b>\$ 1,103,356</b>	<b>\$ 1,172,635</b>	<b>\$ 1,171,117</b>	<b>\$ (1,518)</b>	<b>6.1%</b>	<b>(0.1)%</b>
<b>Other Taxes:</b>						
Insurance Prem.	\$ 41,626	\$ 43,300	\$ 46,145	\$ 2,845	10.9%	6.6%
Miscellaneous	1,858	2,000	2,330	330	25.4	16.5
<b>Total</b>	<b>\$ 43,483</b>	<b>\$ 45,300</b>	<b>\$ 48,475</b>	<b>\$ 3,175</b>	<b>11.5%</b>	<b>7.0%</b>
<b>Total Taxes</b>	<b>\$ 2,220,762</b>	<b>\$ 2,403,335</b>	<b>\$ 2,435,118</b>	<b>\$ 31,783</b>	<b>9.7%</b>	<b>1.3%</b>
<b>Other Revenue:</b>						
Interest	\$ 9,914	\$ 27,700	\$ 26,254	\$ (1,446)	164.8%	(5.2)%
Transfers (net)	\$ (17,491)	\$ (13,940)	\$ (12,587)	\$ 1,353	(28.0)	--
Agency Earnings and Misc.	\$ 51,063	\$ 38,000	\$ 30,484	\$ (7,516)	(40.3)	(19.8)
<b>Total</b>	<b>\$ 43,486</b>	<b>\$ 51,760</b>	<b>\$ 44,151</b>	<b>\$ (7,609)</b>	<b>1.5%</b>	<b>(14.7)%</b>
<b>TOTAL RECEIPTS</b>	<b>\$ 2,264,248</b>	<b>\$ 2,455,095</b>	<b>\$ 2,479,269</b>	<b>\$ 24,174</b>	<b>9.5%</b>	<b>1.0%</b>

\* Consensus estimate as of November 3, 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.



**FY 2007 - \$68 million Increase**

**STATE GENERAL FUND RECEIPTS, EXPENDITURES AND BALANCES  
AS PROJECTED FY 2004-FY 2008  
In Millions**

**(Reflects the Estimates of the Consensus Revenue Estimating Group as of November 3, 2005)**

	Actual FY 2004	Actual FY 2005	Revised FY 2006	Projected FY 2007	Projected FY 2008
Beginning Balance	\$ 122.7	\$ 327.4	\$ 481.0	\$ 488.8	\$ 396.4
Released Encumbrances	2.4	2.4	0.0	0.0	0.0
Receipts (November 2005 Consensus)	4,518.9	4,841.3	5,157.9	5,218.3	5,279.9
Adjusted Receipts	4,518.9	4,841.3	5,157.9	5,218.3	5,279.9
Total Available	\$ 4,644.0	\$ 5,171.1	\$ 5,638.9	\$ 5,707.1	\$ 5,676.3
Reserve for Additional Expenditures or Revenue Reduction	-	-	-	<b>68.0</b>	68.0
Less All Other Expenditures	4,316.6	4,690.1	5,150.1	5,242.7	5,382.3
Total Expenditures	4,316.6	4,690.1	5,150.1	5,310.7	5,450.3
Ending Balance	\$ 327.4	\$ 481.0	\$ 488.8	\$ 396.4	\$ <b>226.0</b>
Ending Balance as a Percentage of Expenditures	7.6%	10.3%	9.5%	7.5%	<b>4.1%</b>

Senate Ways and Means  
1-11-06  
Attachment 4

1) Actual FY 2005 and FY 2006 expenditures as approved by the 2005 Legislature, including \$31.6 million in expenditures shifted forward from FY 2005 to FY 2006. FY 2006 and FY 2007 estimated expenditures also reflect the SRS, Aging and Department of Administration consensus caseload adjustments of October 28, 2005 and the latest school finance estimates of November 16, 2005.

2) FY 2006 revised receipts and FY 2007 projected receipts reflect the estimates of the Consensus Revenue Estimating Group as of November 3, 2005.

3) FY 2008 base receipts assume a four percent growth; and expenditures include out-year significant obligations (i.e., SRS and Aging caseloads).

4) Additional school finance expenditures as authorized by the 2005 Session of the Legislature and the 2005 Special Session of the Legislature.

**FY 2007 - \$181 million Increase**

**STATE GENERAL FUND RECEIPTS, EXPENDITURES AND BALANCES  
AS PROJECTED FY 2004-FY 2008  
In Millions  
(Reflects the Estimates of the Consensus Revenue Estimating Group as of November 3, 2005)**

	Actual FY 2004	Actual FY 2005	Revised FY 2006	Projected FY 2007	Projected FY 2008
Beginning Balance	\$ 122.7	\$ 327.4	\$ 481.0	\$ 488.8	\$ 283.4
Released Encumbrances	2.4	2.4	0.0	0.0	0.0
Receipts (November 2005 Consensus)	4,518.9	4,841.3	5,157.9	5,218.3	5,279.9
Adjusted Receipts	4,518.9	4,841.3	5,157.9	5,218.3	5,279.9
Total Available	\$ 4,644.0	\$ 5,171.1	\$ 5,638.9	\$ 5,707.1	\$ 5,563.3
Reserve for Additional Expenditures or Revenue Reduction	-	-	-	<b>181.0</b>	181.0
Less All Other Expenditures	4,316.6	4,690.1	5,150.1	5,242.7	5,382.3
Total Expenditures	4,316.6	4,690.1	5,150.1	5,423.7	5,563.3
Ending Balance	\$ 327.4	\$ 481.0	\$ 488.8	\$ 283.4	\$ <b>0.0</b>
Ending Balance as a Percentage of Expenditures	7.6%	10.3%	9.5%	5.2%	<b>0.0%</b>

Senate Ways and Means  
1-11-06  
Attachment 5

- 1) Actual FY 2005 and FY 2006 expenditures as approved by the 2005 Legislature, including \$31.6 million in expenditures shifted forward from FY 2005 to FY 2006. FY 2006 and FY 2007 estimated expenditures also reflect the SRS, Aging and Department of Administration consensus caseload adjustments of October 28, 2005 and the latest school finance estimates of November 16, 2005.
- 2) FY 2006 revised receipts and FY 2007 projected receipts reflect the estimates of the Consensus Revenue Estimating Group as of November 3, 2005.
- 3) FY 2008 base receipts assume a four percent growth; and expenditures include out-year significant obligations (i.e., SRS and Aging caseloads).
- 4) Additional school finance expenditures as authorized by the 2005 Session of the Legislature and the 2005 Special Session of the Legislature.