

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:30 A.M. on January 11, 2007, in Room 123-S of the Capitol.

All members were present except:

Senator Jim Barone- excused
Senator Donald Betts- excused
Senator Steve Morris- excused
Senator Chris Steineger- excused

Committee staff present:

Norman Furse, Revisor Emeritus
Jill Wolters, Senior Assistant, Revisor of Statutes
Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
Michael Steiner, Kansas Legislative Research Department
Melinda Gaul, Chief of Staff, Senate Ways & Means
Mary Shaw, Committee Assistant

Conferees appearing before the committee: None

Others attending:

See attached list.

Copies of the Kansas Fiscal Facts and Kansas Legislature 2006-2007 Appropriations Report were distributed to the Committee and are available on-line or in the Kansas Legislative Research Department.

Chairman Umbarger recognized Alan Conroy, Director, Kansas Legislative Research Department, and J. G. Scott, Chief Fiscal Analyst, Kansas Legislative Research Department, who presented an overview of the Consensus Revenue Estimates and the State General Fund Profile. The following information was provided:

- State General Fund Overview, dated January 9, 2007 (Attachment 1).
- Letter addressed to Kathleen Sebelius and the Legislative Budget Committee from the Kansas Division of the Budget and the Kansas Legislative Research Department regarding State General Fund Receipts for FY 2007 (Revised) and FY 2008 (Attachment 2).
- State General Fund (SGF) Receipts, July through December, FY 2007 (Attachment 3).
- State General Fund Receipts, Expenditures and Balances as Projected FY 2006 - FY 2010 (Attachment 4).
- Appropriations Update, January 11, 2007 (Attachment 5).
- State General Fund Receipts, Expenditures and Balances as Recommended by the Governor FY 2006 (actual) - FY 2009 (projected). (Attachment 6)

Mr. Conroy explained that the Consensus Revenue Estimating Group met on November 3, 2006, and revised the FY 2007 State General Fund estimate of receipts and made the first official estimate for FY 2008. For FY 2007 (current year) State General Fund estimated receipts were increased \$299.4 million, or 5.7 percent. Significant adjustments were individual income tax receipts, corporation income tax receipts and retail sales tax receipts. Mr. Conroy noted that these were signs of a strong economy. Mr. Conroy noted that the first estimate FY 2008 projected increased receipts of \$108 million, or 1.9 percent. However, Mr. Conroy explained that it should be noted that sales and compensating use taxes are affected by 2004 legislation that deposits additional amounts in the State Highway Fund, rather than the State General Fund.

CONTINUATION SHEET

MINUTES OF THE Senate Ways and Means Committee at 10:30 A.M. on January 11, 2007, in Room 123-S of the Capitol.

Regarding the Overview of the FY 2008 Recommendation, the Committee requested additional information regarding increased FTE positions by 706.6 from the FY 2007 approved to FY 2008. Staff noted that most of the increase appears to be a reporting issue in the University of Kansas budget. Senator Kelly requested clarification what the FTE positions would be without the University of Kansas. Staff will research this information.

Chairman Umbarger noted that there are challenges to consider this legislative session. Some of these challenges include, but not limited to, KPERS, the Comprehensive Transportation Plan, Deferred Maintenance at the state's universities, Education and Prisons.

Senator Schodorf suggested having a report presented to the Senate Ways and Means Committee that was presented to the Senate Commerce Committee regarding the current status of the Kansas economy. It was noted that the areas of oil, gas, aviation and agriculture are currently helping the Kansas economy, but it is also realized that these areas are also subject to deviations at times.

The meeting adjourned at 11:25 a.m. The next meeting is scheduled for January 16, 2007.

SENATE WAYS AND MEANS COMMITTEE
GUEST LIST

Date January 11, 2006

| Name | Representing |
|-----------------|--------------------|
| Julie Thomas | FOR |
| Scott Heidner | Gables Praden |
| Juni Rose | KACCT |
| Howard Smith | Pittsburg State |
| MARK BOZAN YAK | CAPITOL STRATEGIES |
| Richard Sammons | Kumuy & Assoc |
| Mike Brinker | SRS |
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January 9, 2007

STATE GENERAL FUND OVERVIEW

FY 2006 Actual

- Actual FY 2006 State General Fund receipts and expenditures:
 - Receipts collected were \$85.7 million, or 1.6 percent, above the estimate for FY 2006.
 - Expenditures were \$27.5 million less than the total approved by the 2006 Legislature. However, \$22.9 million budgeted for FY 2006 is now authorized to be spent in FY 2007, *i.e.*, “shifted” to FY 2007. Actual FY 2006 expenditures were \$5.14 billion, an increase of \$449.3 million, or 9.6 percent, above the actual FY 2005 expenditures. Although, remember that the FY 2006 expenditure amount includes significant increases for state aid to local school districts.

FY 2007 and FY 2008 Receipts

- The Consensus Revenue Estimating Group met on November 3, 2006, and revised the FY 2007 State General Fund estimate of receipts and made the first official estimate for FY 2008.
 - Consensus Revenue Estimating Group meets twice a year – November and April;
 - **FY 2007 (current year)** State General Fund estimated receipts were increased \$299.4 million, or 5.7 percent. Significant adjustments were:
 - Individual income tax receipts increased \$146.3 million, or 6.0 percent;
 - Corporation income tax receipts increased \$68.7 million, or 22.4 percent;
 - Retail sales tax receipts were increased \$43.2 million, or 2.5 percent.
 - **FY 2008** (first estimate) projected increased receipts of \$108 million, or 1.9 percent. However, it should be noted that sales and compensating use taxes are affected by 2004 legislation that deposits additional amounts in the State Highway Fund, rather than the State General Fund. Without this legislation, the State General Fund would receive an additional \$174.1 million in FY 2008, for an adjusted growth rate of 5.1 percent and \$282 million. Major changes in the FY 2008 estimate include:
 - Individual income tax receipts increase \$165 million, or 6.4 percent;

- Retail sales tax receipts decrease \$30 million, or 1.7 percent; and
- Corporation income tax receipts decrease \$20.0 million, or 5.3 percent.
- o Actual receipts at the end of December were \$60.4 million above the December estimate.
 - \$35.8 million in individual income taxes; and
 - \$25.1 million in corporate income taxes.

State General Fund Profile and Outlook

- State General Fund Profile

- o The actual State General Fund ending balance in FY 2006 was \$733.6 million, or 14.3 percent, of expenditures.
- o The current projected ending balance in FY 2007 (with SRS, Health Policy Authority, and Aging caseload increases and school finance savings) is \$754.2 million (second highest ever), or 13.5 percent, of expenditures.
- o The FY 2008 State General Fund profile assumes the following:
 - A 1.9 percent growth rate in receipts (Consensus Estimate);
 - State aid to local school districts increases \$149 million, as provided in the 2005 school finance law. Base state aid per pupil increases to \$4,374, an increase of \$58 per pupil. Special education excess costs increase \$29.3 million;
 - SRS, Health Policy Authority, and Aging caseloads increase \$53.0 million;
 - KPERS increased obligations (employer contribution and bond payments) are satisfied – \$50.6 million;
 - State General Fund-financed Comprehensive Transportation Plan debt service obligation is satisfied – \$11.0 million increase; and
 - Annualization of the state employee compensation (step movement) in FY 2007, which was granted on September 10, 2006 (part way through the fiscal year) – \$2.4 million increase.
- o The projected FY 2008 ending balance would be 9.9 percent of expenditures (\$579.3 million). Expenditures for FY 2008 would exceed receipts by \$174.9 million.
- o Some of the budget items that would not be addressed would include:
 - Any increase in Higher Education Reform Act funding

- Regents have requested a 6.0 percent increase for general support - \$45.2 million;
- No request for deferred maintenance - but early estimate is \$726.4 million and a projected need of \$84 million annually;
- Any increase in Department of Corrections
 - \$1.8 million for additional contract beds;
- State employee salary increases.
- FY 2010 possible demands include:
 - Start of another three-year local school finance plan;
 - Construction of a new correctional prison (\$125.0 million);
 - 1,800 additional projected beds over the next ten years;
 - Beginning of a new Comprehensive Transportation Plan;
 - Current plan ends in FY 2009, but construction will continue out until FY 2011.

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KANSAS

DIVISION OF THE BUDGET
DUANE A. GOOSSEN, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

November 20, 2006

To: Governor Kathleen Sebelius and the Legislative Budget Committee
From: The Kansas Division of the Budget and the Kansas Legislative Research Department
Re: State General Fund Receipts for FY 2007 (Revised) and FY 2008

Estimates for the State General Fund are developed using a consensus process that involves the Division of the Budget, the Legislative Research Department, the Department of Revenue, and three consulting economists from state universities. These estimates are the base from which the Governor and the Legislature build the annual budget. The Consensus Group met on November 3, 2006, to revise the FY 2007 estimate and to develop the first estimate for FY 2008.

For FY 2007, the estimate was increased by \$299.4 million, or 5.7 percent, above the previous estimate (made in April and subsequently adjusted for legislation in June). The overall revised SGF estimate of \$5,592.3 million is 3.7 percent above FY 2006 receipts.

The initial estimate for FY 2008 is \$5,700.4 million, which is \$108.1 million, or 1.9 percent, above the newly revised FY 2007 figure. It should be noted that sales and compensating use taxes are affected by 2004 legislation that deposits additional amounts in the State Highway Fund, rather than the State General Fund. Without this legislation, the State General Fund would receive an additional \$175.0 million in FY 2008.

Table 1 compares the new FY 2007 and FY 2008 estimates with actual receipts from FY 2006. Table 2 shows the detailed changes in the FY 2007 estimate.

Economic Forecast for Kansas

The Kansas economy is expected to continue the trend of positive growth through calendar year 2008. Several key factors that affected the consensus estimates include high energy prices; increased business activities; a lower unemployment rate; an improved agricultural sector; and stabilizing retail sales.

The national economy is expected to grow at a slower pace over the next two years. Nominal Gross Domestic Product (GDP) is expected to finish 2006 at an annual nominal growth rate of 6.5 percent, then drop to 5.5 percent in 2007 and 2008. Real GDP is expected to grow by 3.4 percent, 2.9 percent, and 3.0 percent, respectively. U.S. personal income is expected to finish 2006 with a growth rate of 6.8 percent, but fall to 5.4 percent in 2007. In 2008, the growth rate is expected to be 5.3 percent. A listing of the key economic indicators is shown in the following table:

Key Economic Indicators

| | 2005 | 2006 | 2007 | 2008 |
|--|----------|----------|-----------|-----------|
| Consumer Price Index for All Urban Consumers | 3.4 % | 3.4 % | 2.6 % | 2.5 % |
| Real U.S. Gross Domestic Product | 3.2 | 3.4 | 2.9 | 3.0 |
| Nominal U.S. Gross Domestic Product | 6.3 | 6.5 | 5.5 | 5.5 |
| Nominal U.S. Personal Income | 5.2 | 6.8 | 5.4 | 5.3 |
| Corporate Profits before Taxes | 32.7 | 13.0 | -- | 4.7 |
| Nominal Kansas Gross State Product | 6.6 | 5.6 | 4.8 | 4.7 |
| Nominal Kansas Personal Income: | | | | |
| Dollars in millions | \$90,433 | \$96,200 | \$101,300 | \$106,550 |
| Percentage Change | 5.7 % | 6.4 % | 5.3 % | 5.2 % |
| Nominal Kansas Disposable Income: | | | | |
| Dollars in millions | \$81,133 | \$86,100 | \$90,575 | \$95,200 |
| Percentage Change | 4.8 % | 6.1 % | 5.2 % | 5.1 % |
| Interest Rate for State General Fund (based on fiscal year) | 2.27 | 4.25 | 5.23 | 4.76 |
| Kansas Unemployment Rate (based on fiscal year) | 5.3 | 4.8 | 4.6 | 4.8 |

Inflation Rate

The rate of inflation, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), for 2006 is expected to finish the year at 3.4 percent. The inflation rate in 2007 is forecast to be lower at 2.6 percent and drop to 2.5 percent in 2008.

Kansas Personal Income

Nominal Kansas Personal Income (KPI) is expected to realize an annual growth rate of 6.4 percent in 2006. The growth rate is expected to decrease to 5.3 percent in 2007 and to decrease slightly again in 2008 to 5.2 percent.

Interest Rates

The Pooled Money Investment Board is authorized to make investments in U.S. Treasury and agency securities; highly rated commercial paper; as well as repurchase agreements and certificates of deposit of Kansas banks. In FY 2006, the state finished the year with an earned interest rate of 4.25 percent on its State General Fund portfolio. The average rate of return forecasted for FY 2007 is 5.23 percent. For FY 2008, the forecasted rate is 4.76 percent.

Employment

Labor market statistics indicate that unemployment in Kansas is down and experts believe that the employment outlook generally is expected to stabilize. The statewide unemployment rate for FY 2006 was 4.8 percent. The forecast for FY 2007 is 4.6 percent. In FY 2008, the unemployment rate is expected to increase back up to 4.8 percent.

Agriculture

The national All Farm Products Index of Prices Received in October was 117.0 percent of the 1990-92 base, down two points from September, but six points above October 2005. The All Farm Products Index of Prices received by Kansas farmers was 123 percent, which was up by 1 point from September and up 14 points from October 2005. The All Crops Index in October, at 133 percent, was down 1 point from September, but up 34 points from 2005. The Meat Animals Index, at 119 percent base, was down 2 points from both September and last year.

Wheat prices in mid-October, at \$4.99 per bushel, were up \$0.48 from September and \$1.51 above last October. Corn prices, at \$2.99 per bushel, were up \$0.56 from September and \$0.82 above last October. Farmers received an average of \$5.12 per hundred weight (cwt.) for sorghum grain in mid-October, which is up \$1.19 from September and \$2.22 above last October. Soybean prices, at \$5.38 per bushel, were up \$0.21 from September, but \$0.11 below last October.

All hay prices averaged \$102.00 per ton, which is down \$2.00 from September, but \$38.00 higher than last year. Alfalfa hay averaged \$115.00 per ton, up \$6.00 from September and \$44.00 higher than last October and other hay, at \$78.00 per ton, was up \$9.00 from September and \$28.00 above last October.

All beef cattle brought an average of \$91.90 per cwt., which is down \$1.50 from September and \$1.20 below the price from last October. Steers and heifers averaged \$93.30 per cwt., and calf prices were \$132.00 per cwt., down \$5.00 from September and down \$8.00 from October 2005. The all hog price of \$43.70 per cwt. was down \$1.10 from September and down \$0.30 cents from last October.

Oil and Gas

The average price per taxable barrel of Kansas crude oil is estimated to be \$55 in FY 2007 and to remain at that level in FY 2008. Gross oil production in Kansas is expected to continue to remain steady at 35.0 million barrels throughout the forecast period (FY 2007 and FY 2008).

The price of natural gas is expected to decrease from the FY 2006 level of \$6.81 per mcf to \$5.50 per mcf in FY 2007 and then increase to \$6.00 per mcf in FY 2008. Natural gas production in FY 2006 was 373.9 million cubic feet. Production is expected to continue to decline for the foreseeable future as natural gas reserves, especially those in the Hugoton field, are depleted. The forecast is for 355.0 million cubic feet in FY 2007 and 335.0 million cubic feet in FY 2008.

State General Fund Receipts Estimates

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

Tax Receipts

FY 2007. Estimated tax receipts for FY 2007 were increased by \$299.4 million. Individual income tax receipts account for \$146.3 million of the total increase, while corporation income tax receipts account for \$68.7 million, and financial institutions income tax accounts for \$4.0 million. Retail sales and compensating use account for \$62.5 million. The remaining \$17.9 million of the increase is attributable to receipts from financial institutions income tax (\$4.0 million), estate tax (\$3.0 million), motor carrier property tax (\$0.5 million), several excise taxes (\$2.0 million), and miscellaneous taxes (\$2.0 million). Other revenue sources also were increased.

The only tax source that decreased was the severance tax. Experts provided information that points to lower prices for both oil and gas during the forecast period. These lower prices translated to a \$5.9 million reduction in the natural gas severance tax

receipts. However, this decrease was partially offset by an expected \$3.8 million increase in oil severance tax receipts.

FY 2008. The initial estimate for FY 2008 is \$5,700.4 million, which is \$108.1 million, or 1.9 percent, above the newly revised FY 2007 figure. It should be noted that retail sales and compensating use tax receipts are affected by 2004 legislation that deposits additional amounts in the State Highway Fund, rather than the State General Fund. Without this legislation, the State General Fund would receive an additional \$175.0 million in FY 2008.

Other legislation also played a role in the growth between FY 2007 and FY 2008. A new transfer, referred to as "the slider" will begin in FY 2008. The slider is a transfer from the State General Fund that is intended to partially offset any reduction in property tax receipts to local governments that result from removing investment machinery and equipment from the tax roles. The slider will increase transfers made out of the State General Fund by \$28.3 million in FY 2008. In addition, other legislation affecting the deposit of certain taxes associated with water will reduce miscellaneous tax receipts by \$3.0 million. Legislation intended to begin the phase out the estate tax begins in FY 2008, as well. The effect of this new law is a reduction of \$9.0 million.

Accuracy of Consensus Revenue Estimates

For 31 years, State General Fund revenue estimates for Kansas have been developed using the consensus revenue estimating process. Besides the three state agencies identified on the first page, the economists currently involved in the process are Dr. Joe Sicilian from the University of Kansas, Dr. Ed Olson from Kansas State University (emeritus), and Dr. John Wong from Wichita State University.

The table on page 6 presents estimates compared to actual receipts since FY 1975, the fiscal year for which the current process was initiated. The process involves comparing the adjusted original estimate to actual collections and then the final estimate is compared to actual receipts.

Concluding Comments

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

ACCURACY OF STATE GENERAL FUND ESTIMATES

| Fiscal Year | Adjusted Original Estimate* | Adjusted Final Estimate** | Actual Receipts | Difference from: | | | |
|-------------|-----------------------------|---------------------------|-----------------|-------------------|---------|----------------|---------|
| | | | | Original Estimate | | Final Estimate | |
| | | | | Amount | Percent | Amount | Percent |
| 1975 | \$ -- | \$ 614.9 | \$ 627.6 | \$ -- | -- % | \$ 12.7 | 2.1% |
| 1976 | 676.3 | 699.7 | 701.2 | 24.9 | 3.7 | 1.4 | 0.2 |
| 1977 | 760.2 | 760.7 | 776.5 | 16.3 | 2.1 | 15.8 | 2.1 |
| 1978 | 830.1 | 861.2 | 854.6 | 24.5 | 3.0 | (6.5) | (0.8) |
| 1979 | 945.2 | 1,019.3 | 1,006.8 | 61.6 | 6.5 | (12.5) | (1.2) |
| 1980 | 1,019.3 | 1,095.9 | 1,097.8 | 78.5 | 7.7 | 1.9 | 0.2 |
| 1981 | 1,197.1 | 1,226.4 | 1,226.5 | 29.4 | 2.5 | 0.1 | -- |
| 1982 | 1,351.3 | 1,320.0 | 1,273.0 | (78.3) | (5.8) | (47.0) | (3.6) |
| 1983 | 1,599.2 | 1,366.9 | 1,363.6 | (235.6) | (14.7) | (3.2) | (0.2) |
| 1984 | 1,596.7 | 1,539.0 | 1,546.9 | (49.8) | (3.1) | 7.9 | 0.5 |
| 1985 | 1,697.7 | 1,679.7 | 1,658.5 | (39.2) | (2.3) | (21.3) | (1.3) |
| 1986 | 1,731.2 | 1,666.4 | 1,641.4 | (89.8) | (5.2) | (25.0) | (1.5) |
| 1987 | 1,903.1 | 1,764.7 | 1,778.5 | (124.6) | (6.5) | 13.8 | 0.8 |
| 1988 | 1,960.0 | 2,031.5 | 2,113.1 | 153.1 | 7.8 | 81.6 | 4.0 |
| 1989 | 2,007.8 | 2,206.9 | 2,228.3 | 220.5 | 11.0 | 21.4 | 1.0 |
| 1990 | 2,241.2 | 2,283.3 | 2,300.5 | 59.3 | 2.6 | 17.2 | 0.8 |
| 1991 | 2,338.8 | 2,360.6 | 2,382.3 | 43.5 | 1.9 | 21.7 | 0.9 |
| 1992 | 2,478.7 | 2,454.5 | 2,465.8 | (12.9) | (0.5) | 11.3 | 0.5 |
| 1993 | 2,913.4 | 2,929.6 | 2,932.0 | 18.6 | 0.6 | 2.4 | 0.1 |
| 1994 | 3,040.1 | 3,126.8 | 3,175.7 | 135.6 | 4.5 | 48.9 | 1.6 |
| 1995 | 3,174.4 | 3,243.9 | 3,218.8 | 44.4 | 1.4 | (25.1) | (0.8) |
| 1996 | 3,428.0 | 3,409.2 | 3,448.3 | 20.3 | 0.6 | 39.0 | 1.1 |
| 1997 | 3,524.8 | 3,642.4 | 3,683.8 | 159.0 | 4.5 | 41.4 | 1.1 |
| 1998 | 3,714.4 | 3,971.0 | 4,023.7 | 309.3 | 8.3 | 52.7 | 1.3 |
| 1999 | 3,844.7 | 4,051.9 | 3,978.4 | 133.7 | 3.5 | (73.4) | (1.8) |
| 2000 | 4,204.1 | 4,161.0 | 4,203.1 | (1.0) | -- | 42.1 | 1.0 |
| 2001 | 4,420.7 | 4,408.7 | 4,415.0 | (5.7) | (0.1) | 6.4 | 0.1 |
| 2002 | 4,595.8 | 4,320.6 | 4,108.7 | (565.6) | (12.1) | (211.7) | (4.9) |
| 2003 | 4,641.0 | 4,235.6 | 4,245.6 | (395.4) | (9.3) | 9.9 | 0.2 |
| 2004 | 4,605.5 | 4,450.0 | 4,518.7 | (56.8) | (1.9) | 68.2 | 1.5 |
| 2005 | 4,490.5 | 4,793.8 | 4,844.3 | 350.8 | 7.8 | 47.5 | 1.0 |
| 2006 | 4,834.0 | 5,308.7 | 5,394.4 | 560.4 | 11.6 | 85.7 | 1.6 |

* The adjusted original estimate is the estimate made in November or December prior to the start of the next fiscal year in July and adjusted to account for legislation enacted, if any, which affected receipts to the SGF.

** The final estimate made in March or April is the adjusted original estimate plus or minus changes subsequently made by the Consensus Estimating Group. It also includes the estimated impact of legislation on receipts.

Table 1
State General Fund Receipts

(Dollars in Thousands)

| | Consensus Estimate November 3, 2006 | | | | | |
|------------------------|-------------------------------------|-----------------|--------------------|------------------|--------------------|-----------------|
| | FY 2006 (Actual) | | FY 2007 (Revised) | | FY 2008 | |
| | Amount | Percent Change | Amount | Percent Change | Amount | Percent Change |
| Property Tax: | | | | | | |
| Motor Carrier | \$22,056 | 7.8 % | \$23,500 | 6.5 % | \$24,000 | 2.1 % |
| General Property | 55 | | | | | |
| Motor Vehicle | 1,875 | | | | | |
| Total | \$23,986 | 7.8 % | \$23,500 | (2.0) % | \$24,000 | 2.1 % |
| Income Taxes: | | | | | | |
| Individual | \$2,371,253 | 15.6 % | \$2,585,000 | 9.0 % | \$2,750,000 | 6.4 % |
| Corporation | 350,200 | 54.9 | 375,000 | 7.1 | 355,000 | (5.3) |
| Financial Inst. | 31,058 | 40.8 | 31,000 | (0.2) | 31,000 | -- |
| Total | \$2,752,511 | 19.7 % | \$2,991,000 | 8.7 % | \$3,136,000 | 4.8 % |
| Estate Tax | \$51,806 | (0.1) % | \$55,000 | 6.2 % | \$46,000 | (16.4) % |
| Excise Taxes: | | | | | | |
| Retail Sales* | \$1,736,048 | 5.4 % | \$1,775,000 | 2.2 % | \$1,745,000 | (1.7) % |
| Compensating Use* | 269,250 | 10.0 | 290,000 | 7.7 | 290,000 | -- |
| Cigarette | 117,899 | (0.9) | 115,000 | (2.5) | 115,000 | -- |
| Tobacco Products | 5,093 | 1.1 | 5,200 | 2.1 | 5,400 | 3.8 |
| Cereal Malt Bev. | 2,090 | 0.6 | 2,000 | (4.3) | 2,100 | 5.0 |
| Liquor Gallonage | 16,676 | 6.0 | 17,000 | 1.9 | 17,500 | 2.9 |
| Liquor Enforcement | 44,234 | 5.6 | 46,500 | 5.1 | 47,500 | 2.2 |
| Liquor Drink | 8,009 | 7.6 | 8,500 | 6.1 | 8,700 | 2.4 |
| Corp. Franchise | 46,898 | (0.4) | 47,000 | 0.2 | 48,000 | 2.1 |
| Severance | 133,432 | 29.1 | 111,100 | (16.7) | 113,500 | 2.2 |
| Gas | 96,539 | 28.0 | 72,300 | (25.1) | 74,700 | 3.3 |
| Oil | 36,893 | 31.9 | 38,800 | 5.2 | 38,800 | -- |
| Total | \$2,379,629 | 6.5 % | \$2,417,300 | 1.6 % | \$2,392,700 | (1.0) % |
| Other Taxes: | | | | | | |
| Insurance Prem. | \$112,207 | 5.0 % | \$113,000 | 0.7 % | \$115,000 | 1.8 % |
| Miscellaneous | 5,118 | 19.3 | 5,000 | (2.3) | 2,000 | (60.0) |
| Total | \$117,325 | 5.6 % | \$118,000 | 0.6 % | \$117,000 | (0.8) % |
| Total Taxes | \$5,325,257 | 12.9 % | \$5,604,800 | 5.2 % | \$5,715,700 | 2.0 % |
| Other Revenues: | | | | | | |
| Interest | \$54,335 | 133.6 % | \$89,000 | 63.8 % | \$104,000 | 16.9 % |
| Net Transfers | (42,243) | | (161,096) | | (181,308) | |
| Demand to Revenue | (75,810) | | (72,014) | | (86,964) | |
| Other Transfers | 33,567 | | (89,082) | | (94,344) | |
| Agency Earnings | 57,018 | (24.9) | 59,554 | 4.4 | 62,000 | 4.1 |
| Total | \$69,110 | (47.9) % | (\$12,542) | (118.1) % | (\$15,308) | 42.0 % |
| Total Receipts | \$5,394,367 | 11.3 % | \$5,592,258 | 3.7 % | \$5,700,392 | 1.9 % |

* 2004 legislation reduces the FY 2008 anticipated receipts by \$150.9 million for sales tax and \$24.1 million for compensating use tax.

Table 2
State General Fund Receipts
FY 2007 Revised
Comparison of November 2006 Estimate to June 2006 Estimate
(Dollars in Thousands)

| | FY 2007 CRE Est. as Adj. for Legis. | FY 2007 CRE Estimate | Difference | |
|----------------------------|--|-------------------------|------------------|-----------------|
| | | | Amount | Pct. Chg. |
| Property Tax: | | | | |
| Motor Carrier | \$23,000 | \$23,500 | \$500 | 2.2 % |
| Income Taxes: | | | | |
| Individual | \$2,438,740 | \$2,585,000 | \$146,260 | 6.0 % |
| Corporation | 306,350 | 375,000 | 68,650 | 22.4 |
| Financial Inst. | 27,000 | 31,000 | 4,000 | 14.8 |
| Total | \$2,772,090 | \$2,991,000 | \$218,910 | 7.9 % |
| Estate Tax | \$52,000 | \$55,000 | \$3,000 | 5.8 % |
| Excise Taxes: | | | | |
| Retail Sales | \$1,731,806 | \$1,775,000 | \$43,194 | 2.5 % |
| Compensating Use | 270,702 | 290,000 | 19,298 | 7.1 |
| Cigarette | 115,000 | 115,000 | -- | -- |
| Tobacco Product | 5,000 | 5,200 | 200 | 4.0 |
| Cereal Malt Beverage | 2,000 | 2,000 | -- | -- |
| Liquor Gallonage | 16,100 | 17,000 | 900 | 5.6 |
| Liquor Enforcement | 46,000 | 46,500 | 500 | 1.1 |
| Liquor Drink | 8,100 | 8,500 | 400 | 4.9 |
| Corporate Franchise | 47,000 | 47,000 | -- | -- |
| Severance | 113,200 | 111,100 | (2,100) | (1.9) |
| Gas | 78,200 | 72,300 | (5,900) | (7.5) |
| Oil | 35,000 | 38,800 | 3,800 | 10.9 |
| Total | \$2,354,908 | \$2,417,300 | \$62,392 | 2.6 % |
| Other Taxes: | | | | |
| Insurance Premium | \$113,000 | \$113,000 | \$ -- | -- % |
| Miscellaneous | 4,800 | 5,000 | 200 | 4.2 |
| Total | \$117,800 | \$118,000 | \$200 | 0.2 % |
| Total Taxes | \$5,319,798 | \$5,604,800 | \$285,002 | 5.4 % |
| Other Revenues: | | | | |
| Interest | \$84,200 | \$89,000 | \$4,800 | 5.7 % |
| Net Transfers | (172,290) | (161,096) | 11,194 | (6.5) |
| Demand to Revenue | (70,384) | (72,014) | (1,630) | 2.3 |
| Other Transfers | (101,906) | (89,082) | 12,824 | (12.6) |
| Agency Earnings | 61,197 | 59,554 | (1,643) | (2.7) |
| Total Other Revenue | (\$26,893) | (\$12,542) | \$14,351 | (53.4) % |
| Total Receipts | \$5,292,905 | \$5,592,258 | \$299,353 | 5.7 % |

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January 8, 2007

To: Legislative Budget Committee

STATE GENERAL FUND (SGF) RECEIPTS July through December, FY 2007

This is the second monthly report based on the revised estimate of SGF receipts in FY 2007 made by the Consensus Estimating Group on November 3, 2006. The figures in both the "Estimate" and "Actual" columns under FY 2007 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 2007 were \$60.4 million, or 2.3 percent, above the estimate. The component of SGF receipts from taxes only was \$60.1 million, or 2.3 percent, above the estimate. Total receipts through November of FY 2007 were \$1.0 million, or 0.0 percent, above the estimate and taxes only were \$3.6 million, or 0.2 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: individual income (\$35.8 million, or 3.3 percent); corporate income (\$25.1 million, or 13.5 percent); motor carriers (\$1.9 million, or 13.2 percent); and financial institutions (\$1.2 million, or 9.2 percent).

Taxes that fell **below** the estimate by more than \$1.0 million were: compensating use (\$2.2 million, or 1.6 percent) and corporate franchise (\$1.2 million, or 12.2 percent).

Interest earnings and net transfers both fell below the estimate by \$0.7 million and \$1.2 million, respectively. Agency earnings were \$2.2 million greater than expected.

Total SGF receipts through December of FY 2007 were \$167.3 million, or 6.7 percent, above FY 2006 for the same period. Tax receipts only for the same period exceeded FY 2006 by \$212.8 million, or 8.7 percent. Individual income and corporate income taxes increased by \$116.7 million (11.5 percent) and \$66.0 million (45.8 percent), respectively, when comparing this period to the same period in FY 2006. Retail sales taxes increased by \$26.0 million (3.0 percent); again, comparing the July through December receipts of FY 2007 to FY 2006.

This report excludes the July 1 deposit to the SGF of \$200 million pursuant to issuance of a certificate of indebtedness. This certificate will be discharged prior to the end of the fiscal year.

STATE GENERAL FUND RECEIPTS
July-December, FY 2007
 (dollar amounts in thousands)

| | Actual | FY 2007 | | | Percent increase relative to: | |
|---------------------------|---------------------|---------------------|---------------------|------------------|-------------------------------|-------------|
| | FY 2006 | Estimate* | Actual | Difference | FY 2006 | Estimate |
| Property Tax: | | | | | | |
| Motor Carriers | \$ 13,283 | \$ 14,050 | \$ 15,910 | \$ 1,860 | 19.8% | 13.2% |
| Income Taxes: | | | | | | |
| Individual | \$ 1,019,070 | \$ 1,100,000 | \$ 1,135,763 | \$ 35,763 | 11.5% | 3.3% |
| Corporation | 144,225 | 185,200 | 210,252 | 25,052 | 45.8 | 13.5 |
| Financial Inst. | 11,922 | 13,300 | 14,524 | 1,224 | 21.8 | 9.2 |
| Total | \$ 1,175,216 | \$ 1,298,500 | \$ 1,360,540 | \$ 62,040 | 15.8% | 4.8% |
| Estate Tax | \$ 26,020 | \$ 30,000 | \$ 30,931 | \$ 931 | 18.9% | 3.1% |
| Excise Taxes: | | | | | | |
| Retail Sales | \$ 865,428 | \$ 892,000 | \$ 891,385 | \$ (615) | 3.0% | (0.1)% |
| Comp. Use | 134,048 | 143,500 | 141,259 | (2,241) | 5.4 | (1.6) |
| Cigarette | 59,342 | 58,800 | 58,201 | (599) | (1.9) | (1.0) |
| Tobacco Prod. | 2,519 | 2,640 | 2,664 | 24 | 5.8 | 0.9 |
| Cereal Malt Bev. | 1,083 | 1,100 | 1,109 | 9 | 2.4 | 0.8 |
| Liquor Gallonage | 8,710 | 8,850 | 8,782 | (68) | 0.8 | (0.8) |
| Liquor Enforce. | 21,687 | 23,000 | 22,975 | (25) | 5.9 | (0.1) |
| Liquor Drink | 3,859 | 4,100 | 4,133 | 33 | 7.1 | 0.8 |
| Corp. Franchise | 10,150 | 9,500 | 8,343 | (1,157) | (17.8) | (12.2) |
| Severance | 64,290 | 56,500 | 55,937 | (563) | (13.0) | (1.0) |
| Gas | 46,930 | 35,100 | 34,474 | (626) | (26.5) | (1.8) |
| Oil | 17,360 | 21,400 | 21,463 | 63 | 23.6 | 0.3 |
| Total | \$ 1,171,117 | \$ 1,199,990 | \$ 1,194,789 | \$ (5,201) | 2.0% | (0.4)% |
| Other Taxes: | | | | | | |
| Insurance Prem. | \$ 46,145 | \$ 43,000 | \$ 43,187 | \$ 187 | (6.4)% | 0.4% |
| Miscellaneous | 3,337 | 2,300 | 2,577 | 277 | (22.8) | 12.0 |
| Total | \$ 49,482 | \$ 45,300 | \$ 45,764 | \$ 464 | (7.5)% | 1.0% |
| Total Taxes | \$ 2,435,118 | \$ 2,587,840 | \$ 2,647,934 | \$ 60,094 | 8.7% | 2.3% |
| Other Revenue: | | | | | | |
| Interest | \$ 26,254 | \$ 44,100 | \$ 43,417 | \$ (683) | 65.4% | (1.5)% |
| Transfers (net) | (12,587) | (77,435) | (78,634) | (1,199) | - | - |
| Agency Earnings and Misc. | \$ 30,484 | \$ 31,650 | \$ 33,875 | \$ 2,225 | 11.1 | 7.0 |
| Total | \$ 44,151 | \$ (1,685) | \$ (1,342) | \$ 343 | (103.0)% | (20.4)% |
| TOTAL RECEIPTS | \$ 2,479,269 | \$ 2,586,155 | \$ 2,646,592 | \$ 60,437 | 6.7% | 2.3% |

* Consensus estimate as of November 3, 2006.

Excludes \$200 million to State General Fund due to issuance of a certificate of indebtedness.

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

**Tax Reductions As Approved by the 2006 Legislature (Net SGF Impact, Including Transfers)
November Consensus Revenue Estimates for FY 2007 and FY 2008; 4.0 Percent Growth in FY 2009 - FY 2010
\$466.2 million in New K-12 Funding FY 2007 - FY 2009 - SB 549
FY 2007 Expenditures as Approved by the Legislature, Plus "Shifting" of \$22.9 Million from FY 2006**

**STATE GENERAL FUND RECEIPTS, EXPENDITURES AND BALANCES
AS PROJECTED FY 2006-FY 2010
In Millions**

| | Actual FY 2006 | Adjusted FY 2007 | Projected FY 2008 | Projected FY 2009 | Projected FY 2010 |
|--|-------------------|---------------------|----------------------|----------------------|----------------------|
| Beginning Balance | \$ 478.7 | \$ 733.6 | \$ 754.2 | \$ 579.3 | \$ 342.4 |
| Tax Reductions Approved (Total SGF Impact Including Net Transfers) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Receipts (November 2006 Consensus) - 4.0 Percent Growth in FY 09 and FY 10 | 5,394.4 | 5,592.3 | 5,700.4 | 5,899.7 | 6,131.3 |
| | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Adjusted Receipts | 5,394.4 | 5,592.3 | 5,700.4 | 5,899.7 | 6,131.3 |
| Total Available | \$ 5,873.1 | \$ 6,325.9 | \$ 6,454.6 | \$ 6,479.0 | \$ 6,473.6 |
| K-12 Additional Funding - \$466.2 Million Over Three Years - SB 549 | - | 194.5 | 149.0 | 122.7 | - |
| Less All Other Expenditures | 5,139.4 | 5,377.2 | 5,726.3 | 6,013.9 | 6,249.4 |
| Total Expenditures | 5,139.4 | 5,571.7 | 5,875.3 | 6,136.6 | 6,249.4 |
| Ending Balance | \$ 733.6 | \$ 754.2 | \$ 579.3 | \$ 342.4 | \$ 224.2 |
| Ending Balance as a Percentage of Expenditures | 14.3% | 13.5% | 9.9% | 5.6% | 3.6% |
| Receipts Above Expenditures | 255.0 | 20.6 | (174.9) | (236.9) | (118.1) |

Senate Ways and Means
1-11-07
Attachment 4

- 1) Actual FY 2006 expenditures and FY 2007 expenditures are as approved by the 2006 Legislature, plus "shifting" of \$22.9 million in expenditures from FY 2006 to FY 2007, SRS and Aging caseload estimates, and school finance estimates, including special education.
- 2) FY 2007 and FY 2008 receipts reflect the estimates of the Consensus Revenue Estimating Group as of November 3, 2006.
- 3) FY 2009 and FY 2010 base receipts assume a 4.0 percent growth; and expenditures include out-year significant obligations (i.e., SRS and Aging caseloads, KPERs and KDOT bonds, etc.) Others areas of government are frozen at the FY 2007 level.
- 4) \$466.2 million in new K-12 Funding FY 2007 - FY 2009 - SB 549.
- 5) Tax reductions as approved by the 2006 Legislature (HB 2583; SB 432; and SB 404 - total impact on the SGF, including net transfers).

Kansas Legislative Research Department
November 22, 2006

Appropriations Update

January 11, 2007

The *Governor's Budget Report for FY 2008* was presented to the 2007 Legislature and discussed by the Governor during her State of the State message on Wednesday, January 10, 2007. The recommendations will be incorporated into appropriations bills for consideration by the Legislature. If you have any questions about any information in this report, please contact Alan Conroy, Director, or J.G. Scott, Chief Fiscal Analyst at 296-3181.

Overview of FY 2008 Recommendation

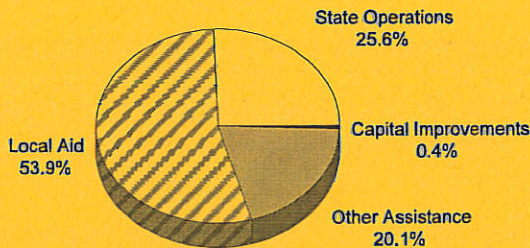
The Governor recommends expenditures of **\$12.4 billion** from all funding sources in FY 2008, including expenditures of **\$6.0 billion** from the State General Fund:

- ◆ Expenditures from all funding sources **increase** by \$18.5 million, or 0.1 percent.
- ◆ State General Fund expenditures **increase** by 7.7 percent, or \$429.0 million.
- ◆ The Governor's budget provides for a FY 2008 State General Fund **ending balance** (\$451.2 million) totaling 7.5 percent of expenditures and meets the ending balance law. However, the Governor's Outlook for the State General Fund projects an ending balance of \$125.2 million, or a 2.0 percent ending balance for FY 2009.
- ◆ Recommended State General Fund **expenditures exceed revenues** by \$327.9 million.
- ◆ The Governor's recommendation includes a tax reduction affecting two taxes and reduces revenues by \$12.8 in FY 2008. The Corporate franchise tax exemption threshold would be raised from \$100,000 to \$1.0 million in tax year 2007 (\$7.0 million) and the corporate income tax surcharge would be reduced from 3.35 percent to 2.95 percent in tax year 2008 (\$5.8 million) and then to 2.75 percent in tax year 2009.
- ◆ The recommendations include a **1.5 percent base salary increase** and a 2.5 percent step movement for classified state employees, and a 4.0 percent merit pool for unclassified state employees (estimated to cost \$83.9 million from all funding sources, including \$42.8 million from the State General Fund). Included in the salary increase are statewide elected officials, state legislators, judges and Regents faculty. The Regents universities estimated increase for the salary adjustments, which are included in the total, are \$41.3 million all funds with \$19.6 million from the State General Fund and are included in the Regents university operating grant.
- ◆ State General Fund expenditures for the **Department of Education** increase by \$201.7 million or 7.0 percent. The Governor's recommendation funds the statutory Base State Aid Per Pupil (BSAPP) at \$4,374, an increase of \$58 per pupil. Funding for KPERS-School employer contributions increases \$26.0 million in FY 2008 from \$192.4 million to \$218.4 million.
- ◆ State General Fund expenditures for the **Board of Regents and the Regents Institutions** increase by \$41.8 million or 5.3 percent. The recommendation includes a funding increase of \$30.0 million for the University Operating Grant, \$4.0 million for student financial assistance, \$3.8 million for Community Colleges, and \$1.4 million for Vocational/Technical Institutions.

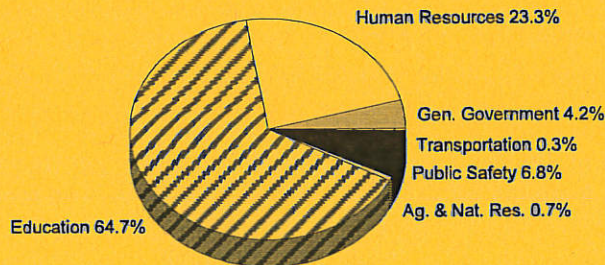
- ◆ State General Fund expenditures for the **Department of Social and Rehabilitation Services** increase \$65.5 million, or 12.1 percent, to fund caseload increases, to replace reduced federal funds, to enhance Home and Community-Based Waivers and several other programs.
- ◆ The recommendation increases **FTE positions** by 706.6 from the FY 2007 approved to FY 2008, though most of the increase appears to be a reporting issue in the University of Kansas budget.
- ◆ For FY 2008, there are no **State General Fund transfers** to the Local Ad Valorem Tax Reduction Fund, or the City County Revenue Sharing Fund. The recommendation includes transfers to the Special County City Highway Fund (\$10.1 million); the School District Capital Improvements Fund (\$67.0 million); the State Water Plan Fund (\$6.0 million) and the Regents Faculty of Distinction Program (\$2.0 million).
- ◆ The Governor's recommendation transfers \$30.3 million from the State Highway Fund to the State General Fund to fund a portion of the **Kansas Highway Patrol** budget. The transfer was reduced by \$5.0 million to continue funding for the Fair Fares program for local airports.

The following two charts illustrate the Governor's recommended State General Fund expenditures by function of government and by category of expenditure. Education (including local school aid and Regents universities) receives 64.7 percent of the State General Fund in the Governor's recommendations. Aid to local units comprises the largest category of expenditure in the Governor's budget with over half of the FY 2008 State General Fund budget (53.9 percent) distributed to local units of government, primarily through local school aid.

**SGF Expenditures by Major Purpose
FY 2008 Governor's Recommendation**



**SGF Expenditures by Function
FY 2008 Governor's Recommendation**



Recommended Current Year Budget Changes

The Governor's revised FY 2007 recommendation is an increase of \$457.4 million from all funding sources, and an increase of \$46.8 million from the State General Fund above the amount approved by the 2006 Legislature. The *Governor's Budget Report* identifies several current year adjustments including:

- The Governor's recommendation transfers \$30.0 million from the State Highway Fund to the State General Fund to fund a portion of the **Kansas Highway Patrol** budget. The transfer was reduced by \$5.0 million to continue funding for the Fair Fares program for local airports.
- The increase is mainly in the **Kansas Department of Transportation**, largely reflecting construction projects not completed in FY 2006 and carried forward into FY 2007.
- A State General Fund increase of \$30.7 million in the budgets of the **Department of Social and Rehabilitation Services, Kansas Health Policy Authority, and the Department on Aging**, to reflect the current consensus caseload estimate.
- An increase of \$13.3 million from the State General Fund in the State Department of Education to fund the current school finance consensus estimate.

The status of the State General Fund, based on the recommendations of the Governor, is reflected in the following profile.

| State General Fund Profile-Governor's Recommendation (In Millions) | | | |
|---|-------------------|--------------------|--------------------|
| | Actual FY 06 | Gov. Rec. FY 07 | Gov. Rec. FY 08 |
| Beginning Balance | \$ 478.7 | \$ 733.6 | \$ 779.1 |
| Receipts (Nov. 07 Consensus) | 5,394.4 | 5,592.3 | 5,700.4 |
| Governor's Recommended Receipt Adj. | 0.0 | 39.3 | (13.2) |
| Adjusted Receipts | <u>\$ 5,394.4</u> | <u>\$ 5,631.6</u> | <u>\$ 5,687.2</u> |
| Total Available | 5,873.1 | 6,365.2 | 6,466.3 |
| Expenditures | <u>5,139.4</u> | <u>5,586.1</u> | <u>6,015.1</u> |
| Ending Balance | <u>\$ 733.6</u> | <u>\$ 779.1</u> | <u>\$ 451.2</u> |
| Ending Balance as a % of Expenditures | 14.3% | 13.9% | 7.5% |
| Adjusted Receipts in Excess of Expenditures | \$ 255.0 | \$ 45.5 | \$ (327.9) |

Additional information on the Governor's budget recommendation and the requests made by state agencies will be presented in the Legislative Budget Analysis to be presented to the Legislature after the legislative fiscal staff completes its analysis.

Senate Ways and Means
1-11-07
Attachment 6

Tax Reductions As Recommended by the Governor
Governor's Recommended Receipts in FY 2007 and FY 2008; 4.0 Percent Growth in FY 2009
\$466.2 million in New K-12 Funding FY 2007 - FY 2009 - SB 549
FY 2007 and FY 2008 Expenditures as Recommended by the Governor

STATE GENERAL FUND RECEIPTS, EXPENDITURES AND BALANCES
AS RECOMMENDED BY THE GOVERNOR FY 2006 (actual)-FY 2009 (projected)
 In Millions

| | Actual FY 2006 | Governor's Revised FY 2007 | Governor's Recommended FY 2008 | Governor's Projected FY 2009 |
|--|-------------------|----------------------------------|--------------------------------------|------------------------------------|
| Beginning Balance | \$ 478.7 | \$ 733.6 | \$ 779.1 | \$ 451.2 |
| Governor's Recommended Tax Reductions | 0.0 | 0.0 | (12.8) | (16.7) |
| Receipts (November 2006 Consensus) - 4.0 Percent Growth in FY 09 and FY 10 | 5,394.4 | 5,592.3 | 5,700.4 | 5,899.7 |
| Governor's Net Receipt Adjustments | 0.0 | 39.3 | (0.4) | 13.8 |
| Adjusted Receipts | 5,394.4 | 5,631.6 | 5,687.2 | 5,896.8 |
| Total Available | \$ 5,873.1 | \$ 6,365.2 | \$ 6,466.3 | \$ 6,348.0 |
| K-12 Additional Funding - \$466.2 Million Over Three Years - SB 549 | - | 194.5 | 149.0 | 122.7 |
| Less All Other Expenditures | 5,139.4 | 5,391.6 | 5,866.1 | 6,100.1 |
| Total Expenditures | 5,139.4 | 5,586.1 | 6,015.1 | 6,222.8 |
| Ending Balance | \$ 733.6 | \$ 779.1 | \$ 451.2 | \$ 125.2 |
| Ending Balance as a Percentage of Expenditures | 14.3% | 13.9% | 7.5% | 2.0% |
| Receipts Above Expenditures | 255.0 | 45.5 | (327.9) | (326.0) |

- 1) Actual FY 2006 expenditures and FY 2007 expenditures are as approved by the 2006 Legislature, plus "shifting" of \$22.9 million in expenditures from FY 2006 to FY 2007, plus supplemental funding, mainly for social services caseloads and school finance estimates, as recommended by the Governor.
- 2) FY 2007 and FY 2008 receipts reflect the estimates of the Consensus Revenue Estimating Group as of November 3, 2006, as adjusted for the Governor's recommendations. Adjustments include the State Highway Fund payment for the Highway Patrol, increased Lottery receipts, an Avian Flu transfer, a State Emergency Fund transfer, and other net adjustments. The Governor does recommend tax reductions of \$12.8 million in FY 2008 (corporate franchise tax exemption threshold and a reduction on the corporation income surtax).
- 3) FY 2009 base receipts assume a 4.0 percent growth; and expenditures include out-year significant obligations (i.e., SRS and Aging caseloads, KPERS and KDOT bonds, etc.) Others areas of government are frozen at the FY 2007 level.
- 4) \$466.2 million in new K-12 Funding FY 2007 - FY 2009 - SB 549.
- 5) FY 2008 expenditures as recommended by the Governor.

Kansas Legislative Research Department
January 11, 2007