

# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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**To:** House Appropriations Committee

**From:** Alan D. Conroy, Director

**Re:** State General Fund Revenue

## STATE GENERAL FUND REVENUE

### 1. State General Fund Revenue - Actual FY 2011

- a. Actual FY 2011 receipts were \$107 million or 1.9 percent above the April revenue estimates;
- b. Individual income tax receipts were \$114.7 million or 4.4 percent above the estimate; and
- c. Actual FY 2010 receipts were \$397 million below actual FY 2009 receipts.

### 2. Economic Forecast for Kansas

"Although the US economy has been growing for two years and is expected to continue to do so, the anticipated rate of growth has decelerated somewhat relative to expectations in the spring. Significant events for the global and U.S. economies since the April estimate have included additional energy price volatility as a result of political upheavals in the Middle East, the possibility of a U.S. debt downgrade, and the European Union debt crisis. The current assumption is that modest growth will continue in the national and state economies during the forecast period. Although various economic indicator indices also suggest a continued -- if slowing -- expansion, a good deal of uncertainty remains as a result of the aforementioned international situations and a sluggish domestic residential housing market."

- a. **Kansas Personal Income** - Increase by 5.0 percent in 2012 and 4.8 percent in 2013;
- b. **Employment** - The unemployment rate of 6.7 percent in CY 2011; Declining to 6.4 percent in CY 2012;
- c. **Agriculture** - 2011 net farm income has been significantly affected by the drought; wheat production alone is expected to have fallen by 23 percent below 2010 levels, with the fewest number of acres harvested since 1957;
- d. **Oil and Gas** - \$84 a barrel of oil in FY 2012 and FY 2013; \$4.10 per mcf in FY 2012 and \$4.15 per mcf in FY 2013; and
- e. **Inflation Rate** - 2.0 percent in 2012 and 2.2 percent in 2013.

### 3. November, 2011 Consensus Revenue Estimates

- a. Consensus Revenue Estimating Group;

- b. The **current year estimate revised upward \$199.1 million or 3.3 percent** above the previous estimate;
- c. Individual income tax receipt estimates were increased by \$173 million or 6.4 percent from the previous April estimate;
- d. Retail sales tax receipt estimates were revised upward \$14.7 million or 0.7 percent; the estimate includes \$310 million from the rate increase (5.3 percent to 6.3 percent);
- e. The revised current year estimate of \$6.2 billion is \$363 million or 6.2 percent above actual FY 2011 receipts;
- f. The **FY 2013 estimate is \$6.291 billion which is \$46.3 million or 0.7 percent above** the newly revised FY 2012 amount:
  - i. Heavily influenced by a net change of \$245 in transfers from the State General Fund - \$205 million from the State Highway Fund and \$39 million from expanded gaming receipts; and
  - ii. Tax receipts only grew by 4.9 percent (\$293 million).

#### 4. Receipts through December FY 2012

- a. Total receipts are \$60.0 million or 2.1 percent above the estimate;
- b. Tax only receipts are \$37.2 million or 1.3 percent above the estimate;
- c. Transfers did not include an anticipated transfer out of \$15.0 million to the Kansas Biosciences Authority.

#### 5. State General Fund Profile

- a. After new revenue estimates in the current year (plus total receipts above the estimate through December - \$60.0 million) there is a **positive ending balance of \$378.0 million or 6.2 percent of expenditures**;
  - i. Funding for latest social services (\$17.6 million); and
  - ii. Education consensus caseloads (\$34.4 million).
- b. FY 2013 projection assumes:
  - i. FY 2012 base budget is carried forward;
  - ii. Human services entitlements (\$72 million) and education consensus estimates (\$33.3 million) are funded;
  - iii. KPERS employer contribution increase of \$40 million;
  - iv. Special education maintenance of effort requirements are funded (\$21.7 million); and
  - v. **Positive ending balance of \$448.9 million or 7.2 percent of expenditures.**
- c. FY 2014 - sales tax rate reduction and KPERS employer contribution rate increase.