

MEMORANDUM

TO: Senate Committee on Ways and Means

FROM: Shawn Sullivan, Director of the Budget

DATE: February 10, 2015

SUBJECT: Senate Bill 162

I am testifying in support of Senate Bill 162, which would amend K.S.A. 2014 Supp. 75-6701 to change the joint estimate of revenue to occur on or before May 4 instead of on or before April 20. The statute calls for the Director of the Budget and the Director of the Legislative Research Department to prepare a joint estimate of revenue to the State General Fund for the current fiscal year and the ensuing fiscal year.

The consensus revenue estimating process occurs over the course of several days and utilizes staff from the Division of the Budget, Legislative Research Department, Department of Revenue and consulting economists from Kansas State University, Kansas University and Wichita State University. Factors that are considered during the revenue estimating process include the economic forecast for the state and trends with personal income, employment, agriculture, oil and gas, inflation and interest rates.

One of the main factors in setting revenue estimates is the actual State General Fund revenue and tax receipts that the state collects between the two revenue estimating dates set in statute. In 2014, the total revenue estimates for FY 2014 were revised upward by \$103.3 million after the consensus group met on April 17. Less than two weeks later, the April 2014 tax receipts came in \$92.2 million less than estimates. This trend continued into May and June.

The consensus revenue estimating group would have a much better indication of tax revenues for the remainder of the fiscal year if the statutory reporting requirement was moved from April 20 to May 4. According to the Kansas Department of Revenue, approximately 90% of taxes are filed online and the overwhelming majority of returns are processed within a week to ten days. Based on the April 15 tax filing deadline, this would give the Department of Revenue sufficient time to analyze tax revenues and also have the April tax receipts available for the estimating group to consider. Thank you for your consideration of Senate Bill 162.